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Section IV. INDIVIDUAL TYPES OF OBLIGATIONS

Chapter 30. PURCHASE AND SALE

#1. General principles of purchase and sale

Article 454. Contract of purchase and sale

1. According to the contract of purchase and sale, one party (the seller) promises to hand over goods to the ownership of the other party (buyer), and the buyer promises to accept said goods and to pay a specified monetary sum (price) for them.

2. The principles specified in the present paragraph apply to the sale of securities and currency if the law does not specify special regulations for their sale.

3. In the cases specified by the present Code or other law, the specifics of purchase and sale of goods of various types are defined by the laws and other legal statutes.

4. The principles specified in the present paragraph are applied to the sale of property rights, unless otherwise resulting from the content or character of these rights.

5. The principles specified in the present paragraph are applied to individual types of purchase-sale contracts (retail purchase-sale, delivery of goods, delivery of goods for state needs, contracting, power supply, sale of real estate (immovable) property, sale of enterprises), unless otherwise specified by the rules of the present Code on agreements of these types.

Article 455. Contractual conditions on goods

1. Under the contract of purchase-sale, goods may be any items, with adherence to the rules of Article 129 of the present Code.

2. A contract may be concluded for the purchase-sale of goods in the possession of the seller at the moment of conclusion of the contract, as well as goods which will be created or acquired by the seller in the future, unless otherwise specified by law or results from the nature of the goods.

3. The condition of the contract for purchase-sale of goods is considered to be coordinated if the contract allows determination of the name and quantity of the goods.

Article 456. Obligations of the seller in transfer of goods

1. The seller is obligated to hand over to the buyer the goods specified in the contract of purchase-sale.

2. Unless otherwise specified in the contract, the seller is obligated to hand over to the buyer, at the same time as transfer of the goods, all their appurtenances, and likewise all documents (technical passport, certificate of quality, operating instructions, etc.) relating to them, as specified by the laws, other legal statutes, or by the contract.

Article 457. Term of fulfillment of obligation to hand over goods

1. The term of fulfillment by the seller of his obligation to hand over the goods to the buyer is defined by the contract, and if the contract does not make it possible to define this term—in accordance with the rules specified in Article 314 of the present Code.

2. The purchase-sale contract is deemed concluded with condition of its fulfillment by a strictly defined time, if it clearly follows from the contract that, in case of violation of its term of fulfillment, the buyer loses interest in said contract.

The seller has the right to fulfill such contract prior to the onset or after expiration of the term specified in it only with the consent of the buyer.

Article 458. Moment of fulfillment of seller's obligation to hand over goods

1. Unless otherwise specified in the contract of purchase-sale, the seller's obligation to hand over the goods to the buyer is considered fulfilled at the moment of:

—giving the goods to the buyer or person indicated by him, if the contract specifies the seller's obligation to deliver the goods;

—granting the goods for management by the buyer, if the goods must be handed over to the buyer at the place of their location. The goods are considered to have been granted for management of the buyer when by the time specified in the agreement the goods are ready for transfer at the proper place and the buyer, in accordance with the conditions of the contract, is notified of the readiness of the goods for transfer. The goods are not deemed ready for transfer if they are not identified for purposes of the contract by means of marking or in some other manner.

2. In cases when the contract does not stipulate the seller's obligation or deliver the goods or to hand over the goods to the buyer at the place of their location, the seller's obligation to hand over the goods to the buyer is considered fulfilled at the moment the goods are given to the shipper or communications organization for delivery to the buyer, unless otherwise specified by the contract.

Article 459. Transfer of risk of accidental loss of goods

1. Unless otherwise specified in the contract, the risk of accidental loss or accidental damage of the goods passes to the buyer from the moment when, in accordance with the law or the contract, the seller is considered to have fulfilled his obligation on handing over the goods to the buyer.

2. The risk of accidental loss or accidental damage of goods sold while they are en route passes to the buyer from the moment of conclusion of the contract of purchase-sale, unless otherwise specified by agreement of the parties or by the customs of business practice.

The condition of the contract which states that the risk of accidental loss or accidental damage of goods passes to the buyer from the moment the goods are handed over to the first shipper at the demand of the buyer may be deemed invalid by the court, if at the moment the contract was concluded the seller knew or should have known that the goods had been lost or damaged, and did not inform the buyer of this fact.

Article 460. Obligation of the seller to hand over goods free from rights of third parties

1. The seller is obligated to hand over to the buyer goods which are free of any rights held by third parties, with the exception of the case when the buyer has agreed to accept goods burdened by rights of third parties.

Failure of the seller to fulfill this obligation gives the buyer the right to demand reduction of the purchase price or dissolution of the contract of purchase-sale, if it is not proven that the buyer knew or should have known about the rights of the third parties to said goods.

2. Rules specified in point 1 of the present article are applied respectively also in the case when there were claims of third parties in regard to the goods at the moment of their transfer to the buyer, of which the seller was aware, if these claims were subsequently found to be legitimate in accordance with the established procedure.

Article 461. Obligation of seller in case of confiscation of goods from buyer

1. In case of confiscation of goods from the buyer by third parties on grounds arising prior to fulfillment of the contract of purchase-sale, the seller is obligated to compensate the buyer for losses incurred by him, if he does not prove that the buyer knew or should have known about the presence of such grounds.

2. Any agreement of the parties on absolving the seller from responsibility in the case of confiscation of the acquired goods from the buyer by third parties, or on its limitation, shall be deemed invalid.

Article 462. Obligations of the buyer and seller in case of filing claim on confiscation of goods

If a third party, on grounds arising prior to execution of the contract of purchase-sale, submits a claim to the buyer for confiscation of the goods, the buyer must bring the seller to participation in the case, and the seller must enter the case on the side of the buyer.

The buyer's failure to bring the seller to participation in the case absolves the seller of responsibility to the buyer, if the seller proves that, by having taken part in the case, he could have prevented confiscation of the sold goods from the buyer.

A seller brought by a buyer to participation in a case but not taking part in it is deprived of the right to prove the incorrectness of handling of the case by the buyer.

Article 463. Consequences of seller's refusal to hand over goods

1. If a seller refuses to hand over the goods sold to the buyer, the buyer has the right to refuse fulfillment of the contract of purchase-sale.

2. In case of the seller's refusal to hand over an individual specific item, the buyer has the right to submit demands to the seller, as specified in Article 398 of the present Code.

Article 464. Consequences of non-fulfillment of obligation to hand over appurtenances and documents relating to goods

If the seller does not hand over or refuses to hand over to the buyer the appurtenances or documents relating to the goods, which he is obligated to hand over in accordance with the laws, other legal statutes or with the contract of purchase-sale (point 2 of Article 456), the buyer has the right to set a reasonable time for their transfer.

If the appurtenances or documents relating to goods are not handed over by the seller within the specified time, the buyer has the right to refuse the goods, unless otherwise specified by the contract.

Article 465. Quantity of goods

1. The quantity of goods subject to tranfer to the buyer is specified by the contract of purchase-sale in appropriate units of measure or in monetary expression. The condition on the amount of goods may be coordinated by means of specifying the procedure of its determination in the contract.

2. If the contract of purchase-sale does not make it possible to determine the amount of goods subject to transfer, the contract is not considered concluded.

Article 466. Consequences of violating conditions of contract regarding quantity

1. If, in violation of the conditions of the contract of purchase-sale, the seller has transferred to the buyer a lesser quantity of goods than specified in the contract, the buyer has the right, unless otherwise specified in the contract, either to demand that the quantity of goods by which he has been shorted be handed over to him, or to reject the goods handed over to him and refuse to pay for them. If they have been prepaid, he has the right to demand refund of the monetary sum which he has paid.

2. If the seller hands over goods to the buyer in a quantity exceeding that specified in the contract of purchase-sale, the buyer is obligated to inform the seller of this fact in accordance with the procedure specified by point 1, Article 483 of the present Code. In the case when the seller does not make arrangements for the appropriate portion of the goods within a reasonable time after receiving notification from the buyer, the buyer has the right to accept the entire quantity, unless otherwise specified by the contract.

3. If the buyer accepts goods in a quantity exceeding that specified in the contract of purchase-sale (point 2 of the present article), the supplementally received goods are paid for at the price specified for the goods and agreed upon in accordance with the contract, if no other price is set by agreement of the parties.

Article 467. Assortment of goods

1. If, in accordance with the contract of purchase-sale, goods are subject to transfer in a certain ratio by types, models, dimensions, colors and other indicators (assortment), the seller is obligated to hand over to the buyer goods in the assortment agreed upon by the parties.

2. If the assortment is not defined in the contract of purchase-sale and the contract does not specify the order of its determination, but from the essence of the obligation it results that the goods must be handed over to the buyer in assortment, the seller has the right to hand over to the buyer goods in assortment based on the buyer's needs which were known to the seller at the moment the contract was concluded, or to refuse fulfillment of the contract.

Article 468. Consequences of violating conditions of contract regarding assortment of goods

1. If a seller hands over the goods specified in the contract of purchase-sale in an assortment which does not correspond to the contract, the buyer has the right to refuse acceptance and payment, and if they are prepaid, to demand refund of the paid monetary sum.

2. If a seller has handed over to the buyer, along with goods whose assortment corresponds to the contract of purchase-sale, goods which are in violation of the contract conditions regarding assortment, the buyer has the right, at his discretion:

—to accept the goods which correspond to the contract conditions regarding assortment and to reject the remaining goods;

—to reject all the transferred goods;

—to demand that the goods which do not correspond to contract conditions regarding assortment be substituted for goods in the assortment specified by the contract;

—to accept all the transferred goods.

3. Upon rejection of goods whose assortment does not correspond to the conditions of the contract of purchase-sale, or presentation of demand to replace goods which do not correspond to conditions of assortment, the buyer also has the right to refuse payment for these goods, and if they are prepaid—to demand refund of the paid monetary sum.

4. Goods which do not correspond to conditions of the contract of purchase-sale regarding assortment are considered accepted if the buyer does not inform the seller of his rejection of the goods within a reasonal time after their receipt.

5. If a buyer does not reject goods whose assortment does not correspond to the contract of purchase-sale, he is obligated to pay for them at the price agreed upon with the seller. In case if the seller does not take necessary measures to agree upon the price within a reasonable time, the buyer pays for the goods at the price which was customarily charged for analogous goods at the moment of conclusion of the contract under comparable circumstances.

6. The rules of the present article are applied, unless otherwise specified by the contract of purchase-sale.

Article 469. Quality of goods

1. The seller is obligated to hand over to the buyer goods whose quality corresponds to that specified in the contract of purchase-sale.

2. In the absence of conditions regarding quality of goods in the contract of purchase-sale, the seller is obligated to hand over to the buyer goods which are suitable for the purposes for which goods of such type are generally used.

If, during conclusion of the contract, the seller was informed by the buyer about specific purposes of acquisition of the goods, the seller must hand over to the buyer goods which are suitable for use in accordance with these purposes.

3. In case of sale of goods by sample and (or) by description, the seller is obligated to hand over to the buyer goods which correspond to the sample and (or) description.

4. If, in accordance with the lawfully established procedure, provision is made for mandatory requirements for quality of sold goods, the seller who engages in entrepreneurial activity is obligated to hand over to the buyer goods which correspond to these mandatory requirements.

By agreement between the seller and the buyer, goods may be supplied which correspond to increased requirements for quality as compared with the mandatory requirements established in accordance with the lawfully provided procedure.

Article 470. Guarantee of quality of goods

1. Goods which the seller is obligated to hand over to the buyer must correspond to the requirements specified in Article 469 of the present Code at the moment of their transfer to the buyer, if no other moment of determining correspondence of goods to these requirements is specified in the contract of purchase-sale, and within the limits of a reasonable time must be suitable for the purposes for which goods of this sort are generally used.

2. If the contract of purchase-sale specifies that the seller shall present a guarantee of quality of the goods, the seller is obligated to hand over to the buyer goods which must correspond to the requirements specified in Article 469 of the present Code, within a specific period of time established by the contract (warranty period).

3. The guarantee of quality of goods extends to all parts comprising it (complement goods), unless otherwise specified in the contract of purchase-sale.

Article 471. Computing warranty period

1. The warranty period begins from the moment the goods are handed over to the buyer (Article 457), unless otherwise specified in the contract of purchase-sale.

2. If the buyer is deprived of the possibility of utilizing the goods in regard to which the contract establishes a warranty period for circumstances which are dependent on the seller, the warranty period does not begin until the said circumstances are corrected by the seller.

Unless otherwise specified in the contract, the warranty period is extended for the time during which the goods could not be used due to shortcomings which were discovered in them, under the condition that the seller is notified of said shortcomings of the goods in accordance with the procedure established in Article 483 of the present Code.

3. Unless otherwise specified in the contract of purchase-sale, the warranty period for complement parts is considered to be equal to the warranty period for the basic goods, and begins simultaneously with the warranty period on the basic product.

4. For goods (complement parts) handed over by the seller in exchange for goods (complement parts) in which shortcomings were discovered during the warranty period (Article 476), a warranty period of the same duration as that carried by the replaced goods is established, unless otherwise specified in the contract of purchase-sale.

Article 472. Period of suitability of goods

1. The laws, other legal statutes, state standards or other mandatory rules may define the term, upon expiration of which goods are considered unsuitable for use for their designated purpose (period of suitability).

2. Goods on which a period of suitability is established must be handed over to the buyer by the seller with such expectation that they may be used for their designated purpose prior to expiration of the period of suitability.

Article 473. Computing period of suitability of goods

The period of suitability of goods is determined by the period of time, computed from the day of their manufacture, during which the goods are suitable for use, or by the date prior to the onset of which the goods are suitable for use.

Article 474. Quality control of goods

1. Quality control of goods may be specified by law, other legal statutes, mandatory requirements of state standards, or by the contract of purchase-sale.

The procedure for quality control of goods is established by law, other legal statutes, mandatory requirements of state standards, or by the contract. In cases when the procedure of control is established by law, other legal statutes, mandatory requirements of state standards, the procedure of quality control of goods defined by the contract must correspond to these requirements.

2. If the procedure of quality control of goods is not specified in accordance with point 1 of the present article, quality control of goods is performed in accordance with the customs of business practice or other generally applied conditions of control of goods subject to transfer under the contract of purchase-sale.

3. If the law, other legal statutes, mandatory requirements of state standards or the contract of purchase-sale specify the seller's obligation to verify the quality of the goods handed over to the buyer (testing, analysis, inspection, etc.), the seller must submit to the buyer proof of performing such verification of quality of the goods.

4. The procedure, as well as other conditions of quality control of goods performed by the seller as well as the buyer must be identical and the same.

Article 475. Consequences of handing over goods of improper quality

1. If defects of goods were not stipulated by the seller, the buyer to whom the goods of improper quality are handed over has the right, at his discretion, to demand from the seller:

—commensurate reduction of the purchase price;

—uncompensated correction of the defects in the goods within a reasonable time;

—compensation of his expenditures to eliminate the defects in the goods.

2. In the case of significant violation of requirements for quality of goods, (determination of shortcomings which cannot be corrected, shortcomings which cannot be corrected without incommensurate expense or expenditure of time, or which are found repeatedly, or which are manifested again after correction, and other such shortcomings) the buyer has the right, at his discretion:

—to refuse to fulfill the contract of purchase-sale and demand return of the monetary sum paid for the goods;

—to demand replacement of the goods of improper quality with goods which correspond to the contract.

3. Demands for correction of defects or replacement of goods, specified in points 1 and 2 of the present article, may be presented by the buyer, unless otherwise resulting from the character of the goods or essence of the obligation.

4. In the case of improper quality of part of the goods which are part of a complement (Article 479), the buyer has the right to exercise the rights specified in points 1 and 2 of the present article in regard to these goods.

5. Rules specified by the present article are applicable unless otherwise specified by the present Code or other law.

Article 476. Defects in goods for which seller is answerable

1. The seller is responsible for defects in goods if the buyer proves that the defects in the goods arose prior to their transfer to the buyer or for reasons arising prior to this moment.

2. In regard to goods on which the seller has given a guarantee of quality, the seller answers for the defects in the goods if he does not prove that such defects arose after their transfer to the buyer as a result of the buyer's violation of the rules of use of the goods, or their storage, or actions of third parties or some insurmountable force.

Article 477. Terms of discovering defects in transferred goods

1. Unless otherwise specified by law or by the contract of purchase-sale, the buyer has the right to submit demands associated with defects in goods under the condition that they are discovered within the times specified by the present article.

2. If a warranty period or period of suitability are not established for goods, the demands associated with defects in the goods may be submitted by the buyer under the condition that the defects in the goods sold were discovered within a reasonable time, but within 2 years from the day of transfer of the goods to the buyer, or within the limits of a longer term, when such term is specified by law or by the contract of purchase-sale. The term for discovering defects in goods subject to shipment or mailing is computed from the day the goods are received at their point of destination.

3. If a warranty period has been specified for goods, the buyer has the right to submit demands associated with defects in the goods upon discovering such defects within the course of the warranty period.

In the case when the contract of purchase-sale establishes a warranty period of lesser duration on complement parts than on the basic product, the buyer has the right to submit demands associated with defects in the complement parts upon discovering them within the course of the warranty period for the basic product.

If the contract establishes a warranty period of greater duration on complement parts than the warranty period on the basic product, the buyer has the right to submit demands associated with defects in the goods, if the defects in the complement part are discovered in the course of the warranty period on it, regardless of the expiration of the warranty period on the basic product.

4. In regard to goods on which a period of suitability has been established, the buyer has the right to submit demands associated with defects in the goods if they are discovered within the course of the period of suitability of the goods.

5. In cases when the warranty period specified by the contract comprises less than two years, and the defects in the goods are discovered by the buyer after expiration of the warranty period, but within the limits of two years from the day of transfer of goods to the buyer, the seller bears liability if the buyer proves that the defects in the goods arose prior to transfer of the goods to the buyer or for reasons arising prior to this moment.

Article 478. Completeness of goods complement

1. The seller is obligated to hand over to the buyer goods which correspond to the contract conditions regarding completeness of their complement.

2. If the contract of purchase-sale does not specify the full complement of the goods, the seller is obligated to hand over to the buyer goods whose complement is determined by customs of business practice or other generally established requirements.

Article 479. Complement of goods

1. If the contract of purchase-sale specifies the seller's obligation to hand over to the buyer a specific set of goods in complement (complement of goods), the obligation is considered fulfilled from the moment of transfer of all goods included in the complement.

2. Unless otherwise specified in the contract of purchase-sale or results from the essence of the obligation, the seller must hand over to the buyer all goods included in the complement, simultaneously.

Article 480. Consequences of handing over goods which are not in complement

1. In the case of transfer of goods which are not in complement (Article 478), the buyer has the right, at his discretion, to demand from the seller:

—a commensurate reduction in the purchase price;

—fulfillment of the complement of goods within a reasonable time.

2. If the seller has not met the buyer's demand on fulfillment of complement of goods within a reasonable time, the buyer has the right, at his discretion:

—to demand replacement of the goods which are not in complement with complement goods;

—to refuse fulfillment of the contract of purchase-sale and demand refund of the monetary sum paid.

3. Consequences specified by points 1 and 2 of the present article are also applied in the case of the seller's violation of the obligation to hand over to the buyer a complement of goods (Article 479), unless otherwise specified by the contract of purchase-sale and does not result from the essence of the obligation.

Article 481. Containers and packaging

1. Unless otherwise specified in the contract of purchase-sale or results from the essence of the obligation, the seller is obligated to hand the goods over to the guyer in containers and (or) packaging, with the exception of goods which by their nature do not require packing in containers and (or) packaging.

2. If the contract of purchase-sale does not specify the requirements for containers and packaging, the goods must be packed in containers and (or) packaged by the method generally used for such goods, and in the absence of such—by a method which ensures safekeeping of goods of this sort under ordinary conditions of storage and transport.

3. If, in accordance with the lawfully established procedure, provision is made for mandatory requirements for containers and (or) packaging, the seller engaging in entrepreneurial activity is obligated to hand over the goods to the buyer in containers and (or) packaging corresponding to these mandatory requirements.

Article 482. Consequences of handing over goods without containers and (or) packaging or in improper containers and (or) packaging

1. If goods which are subject to packing in containers and (or) packaging are handed over to the buyer without containers and (or) packaging or in improper containers

and (or) packaging, the buyer has the right to demand that the seller pack in containers and (or) package the goods, or replace the improper containers and (or) packaging, unless otherwise resulting from the contract, the essence of the obligations or the nature of the goods.

2. In the case specified in point 1 of the present article, the buyer is entitled, instead of presenting to the seller the demands indicated in this point, to present to him demands which stem from the transfer of goods of improper quality (Article 475).

Article 483. Notification of seller regarding improper fulfillment of contract

1. The buyer must notify the seller about violation of conditions of the contract of purchase-sale regarding quantity, assortment, quality, complement, containers and (or) packaging of goods within the time specified by the law, other legal statutes, or in the contract, and if such time is not specified—within a reasonable time after the violation of the said condition of the contract should have been discovered, based on the nature and purpose of the goods.

2. In case of non-fulfillment of the rule specified in point 1 of the present article, the seller has the right to reject, in full or in part, the satisfaction of the buyer's demands on handing over to him the shorted quantity of goods; on replacement of goods which do not correspond to conditions specified in the contract of purchase-sale regarding quality or assortment; on correction of defects in the goods; on supplying additional complement of goods or replacing goods which are not in full complement with complement goods; on packing in containers and (or) packaging or replacing improper containers and (or) packaging of the goods, if he proves that the buyer's failure fulfill this rule led to the impossibility of satisfying his demands, or if this entails incommensurate expenditures for the seller as compared with those which he would have incurred if he had been given timely notification of violation of the contract.

3. If the seller knew or should have known that the goods handed over to the buyer do not correspond to the conditions specified in the contract of purchase-sale, he does not have the right to refer to the principles specified in points 1 and 2 of the present article.

Article 484. Obligation of buyer to accept goods

1. The buyer is obligated to accept goods handed over to him, with the exception of cases when he has the right to demand exchange of the goods or to reject fulfillment of the contract of purchase-sale.

2. Unless otherwise specified by law, other legal statutes or by the contract of purchase-sale, the buyer is obligated to perform actions which in accordance with the generally presented requirements are necessary on his part for ensuring transfer and receipt of the appropriate goods.

3. In cases when the buyer, in violation of the law, other legal statutes, or the contract of purchase-sale, does not accept or refuses to accept the goods, the seller has the right to demand that the buyer accept the goods, or to refuse fulfillment of the contract.

Article 485. Price of goods

1. The buyer is obligated to pay for the goods at the price specified by the contract of purchase-sale, or, if it is not specified in the contract and cannot be determined based on its conditions, at a price determined in accordance with point 3, Article 424 of the present Code; and also to perform at his expense actions which in accordance with the law, other legal statutes, the contract or generally established requirements, are necessary for performance of payment.

2. When the price is set based upon on the weight of the goods, it is determined by the net weight, unless otherwise specified in the contract of purchase-sale.

3. If the contract of purchase-sale specifies that the price of goods is subject to change depending on indicators determining the price of the goods (production cost, expenditures, etc.), but does not define the method of review of the price, the price is determined based on the relation of these indicators at the moment of conclusion of the agreement and at the moment of transfer of the goods. If the seller is late in fulfilling his obligation to transfer the goods, the price is determined based on the relation of these indicators at the moment of conclusion of the contract and at the moment of transfer of the goods specified in the contract, and if such day is not specified in the contract—at the moment determined in accordance with Article 314 of the present Code.

Rules specified by the present point are applied unless otherwise specified by the present Code, other law, other legal statutes or by the contract, or results from the essence of the obligation.

Article 486. Payment for goods

1. The buyer is obligated to pay for goods immediately before or after transfer of the goods to him by the seller, unless otherwise specified in the present Code, other law, other legal statute or contract of purchase-sale, or results from the essence of the obligation.

2. If the contract of purchase-sale does not specify term payment for goods, the buyer is obligated to pay the seller the full price of the transferred goods.

3. If the buyer does not pay in a timely manner for the goods which have been handed over in accordance with the contract of purchase-sale, the seller has the right to demand payment for the goods, along with payment of interest in accordance with Article 395 of the present Code.

4. If the buyer, in violation of the contract of purchase-sale, refuses to accept and pay for the goods, the seller has the right, at his discretion, to demand payment for the goods or to reject fulfillment of the contract.

5. In cases when the seller, in accordance with the contract of purchase-sale, is obligated to hand over to the buyer not only the goods which have not been paid for by the buyer, but other goods as well, the seller has the right to stop transfer of these goods until he has received full payment for all previously transferred goods, unless otherwise specified by law, other legal statute or by the contract.

Article 487. Prepayment of goods

1. In cases when the contract of purchase-sale specifies the buyer's obligation to prepay the goods in full or in part prior to transfer of goods by the seller (prepayment), the buyer must perform payment within the time specified by the contract, and if such time is not specified in the contract—within the time determined in accordance with Article 314 of the present Code.

2. In case of the buyer's failure to fulfill the obligations on prepayment of goods, the rules specified by Article 328 of the present Code shall be applied.

3. In the case when the buyer who has received the sum of prepayment does not fulfill his obligations on transfer of the goods within the specified time (Article 457), the buyer has the right to demand transfer of the goods which have been paid for, or return of the sum of prepayment for goods which have not been handed over by the seller.

4. In the case when the seller does not fulfill his obligation on handing over prepaid goods or in other cases not specified by the contract of purchase-sale, interest is payable on the sum of prepayment, in accordance with Article 395 of the present Code, starting from the day when the transfer of goods should have taken place according to the contract to the day the goods are actually transferred to the buyer or the sum of prepayment is refunded to him. The contract may specify the obligation of the seller to pay interest on the sum of prepayment from the day this sum is received from the buyer.

Article 488. Payment for goods sold on credit

1. In cases when the contract of purchase-sale provides for payment of goods after a specified time following their transfer to the buyer (sale of goods on credit), the buyer must perform payment within the time specified by the contract, and if such time is not specified by the contract—within the time determined in accordance with Article 314 of the present Code.

2. If the seller fails to fulfill his obligation on transfer of goods, the rules specified in Article 328 of the present Code shall be applied.

3. In the case when a buyer who has received goods does not fulfill his obligations on payment for them within the time specified by the contract of purchase-sale, the seller has the right to demand payment for the transferred goods or return of the goods which have not been paid for.

4. In the case when the buyer does not fulfill his obligation on payment for transferred goods within the time specified in the contract, and other provision is not made by the present Code or by the contract of purchase-sale, interest on the overdue sum is payable in accordance with Article 395 of the present Code, starting from the day when the goods should have been paid for in accordance with the contract and to the day the buyer actually pays for the goods.

The contract may specify the buyer's obligation to pay interest on a sum which corresponds to the price of the goods, starting from the day the goods were handed over by the seller.

5. Unless otherwise specified by the contract of purchase-sale, from the moment of transfer of the goods to the buyer and until he pays for them, the goods sold on credit are deemed to be held in security deposit by the seller for provision of the buyer's fulfillment of his obligation to pay for the goods.

Article 489. Term payment for goods

1. The contract on sale of goods on credit may provide for term payment of goods.

The contract on sale of goods for credit with the condition of term payment is considered concluded if, along with the other significant contractual conditions of purchase and sale, it specifies the price, procedure, terms and amounts of the payments.

2. When a buyer does not make a regular payment within the time specified by the contract for goods which

have been sold on term payment and handed over to him, the seller has the right, unless otherwise specified by the contract, to refuse fulfillment of the contract and to demand return of the goods which were sold, with the exception of cases when the sum of the payments received from the buyer exceeds half of the price of the goods.

3. The contract on sale of goods with condition of term payment is subject to the rules specified in points 2, 4 and 5, Article 488 of the present Code.

Article 490. Insurance of goods

The contract of purchase-sale may provide for the obligation of the seller or the buyer to insure the goods.

In the case when the party responsible for insuring the goods does not perform insurance in accordance with the conditions of the contract, the other party has the right to insure the goods and to demand from the responsible party a compensation of the insurance expenditures, or to refuse fulfillment of the contract.

Article 491. Retention of the right of ownership by the seller

In cases when the contract of purchase-sale specifies that the right of ownership of goods handed over to the buyer shall be retained by the seller until the goods have been paid for, or until the onset of other circumstances, the buyer does not have the right to cede the goods or to dispose of them in any other means prior to transfer of the right of ownership to him, unless otherwise specified by the law or by the contract, or if this does not stem from the purpose and nature of the goods.

In cases when the transferred goods are not paid for within the time specified in the contract and other circumstances under which the right of ownership passes to the buyer do not occur, the seller has the right to demand return of the goods from the buyer, unless otherwise specified by the contract.

#2. Retail purchase and sale

Article 492. Contract of retail purchase and sale

1. According to the contract of retail purchase and sale, the seller who performs entrepreneureal activity in the sale of goods promises to hand over to the buyer the goods which are generally intended for personal, family, household or other application, not associated with entrepreneurial activity.

2. The contract of retail purchase and sale is a public contract (Article 426).

3. The laws on protection of consumer rights and other legal statutes adopted in accordance with them are applicable to relations under the contract of retail purchase-sale with participation of a citizen-buyer which are not regulated by the present Code.

Article 493. Form of contract of retail purchase-sale

Unless otherwise specified by law or by the contract of retail purchase-sale, including by conditions of standard agreements or other standard forms which the buyer assumes (Article 428), the contract of retail purchase and sale is considered to be concluded in proper form from the moment the seller issues the buyer a cash register receipt or goods voucher, or some other document confirming payment for the goods. The absence of the indicated documents in the buyer's possession does not deprive him of the opportunity of referring to witness testimony in confirmation of conclusion of the contract and its conditions.

Article 494. Public offer of goods

1. Offers of goods as specified in advertisements, catalogs, and descriptions of goods addressed to an indefinite group of persons, are considered to be public offers (point 2, Article 437), if they contain all the significant conditions of a contract of retail purchase-sale.

2. Display of goods in a place of sale (on store shelves, in store windows, etc.), demonstration of their samples or presentation of information on goods for sale (descriptions, catalogs, photographs, etc.) in the place of their sale are considered to be public offers, regardless of whether the price and other significant conditions of the contract of retail purchase and sale are specified, with the exception of the case when the seller has clearly specified that the said goods are not intended for sale.

Article 495. Provision of information about goods to buyer

1. The seller must provide the buyer with necessary and reliable information about the goods offered for sale, in accordance with the established legislation, other legal statutes and requirements generally presented in retail trade for the content and method of providing such information.

2. Prior to concluding the contract of retail purchase-sale, the buyer has the right to examine the goods, to demand that a verification of its properties or a demonstration of use of the goods be performed in his presence, if this is not excluded due to the nature of the goods and does not contradict the rules generally accepted in retail trade.

3. If the buyer is not given the opportunity to promptly obtain information about the goods at the place of sale, as specified in points 1 and 2 of the present article, he has the right to demand from the seller a compensation of the losses inflicted by unjustified evasion of concluding the contract of retail purchase-sale (point 4, Article 445), and if the contract has been concluded—to refuse fulfillment of the contract within a reasonable time, and to demand refund of the sum paid for the goods and compensation of other losses.

4. A seller who has not given the buyer the opportunity to obtain the appropriate information about the goods bears liability also for defects in the goods arising after their transfer to the buyer, in regard to which the buyer proves that they arose in connection with absence of such information in his possession.

Article 496. Sale of goods with condition of their acceptance by the buyer within a specified time

The contract of retail purchase-sale may be concluded with the condition of the buyer's acceptance of the goods within a time specified by the contract, during which these goods may not be sold to another buyer.

Unless otherwise specified by the contract, failure to appear by the buyer or failure to perform other necessary actions for receipt of the goods within the time specified by the contract may be viewed by the seller as the buyer's refusal to fulfill the contract.

Additional expenditures incurred by the seller to ensure transfer of the goods to the buyer within the time specified in the contract are included in the price of the goods, unless otherwise specified by law, other legal statutes, or by the contract.

Article 497. Sale of goods by sample models

1. A contract of retail purchase-sale may be concluded on the basis of familiarizing the buyer with a sample of the goods (their description, catalog of goods, etc.) offered by the seller.

2. Unless otherwise specified by law, other legal statutes or by the contract, the contract of retail purchase-sale of goods by sample is considered fulfilled from the moment of delivery of the goods to the place specified in the contract, and if the place of transfer of goods is not defined by the contract—from the moment of delivery of the goods to the buyer at the place of his residence if the buyer is an individual citizen, or at the place of its location if the buyer is a legal entity.

3. Prior to transfer of the goods, the buyer has the right to reject fulfillment of the contract of retail purchase-sale under the condition that he compensate the seller for necessary expenditures incurred in connection with performance of actions on fulfillment of the contract.

Article 498. Sale of goods through vending machines

1. In cases when the sale of goods is performed with the use of vending machines, the owner of the vending machines must provide buyers with information about the seller of the goods by means of posting on the vending machine or presenting to the buyers by some other method information on the name (firm name) of the seller, the place of his location, regimen of operation, as well as instructions on actions which the buyer must perform to obtain the goods.

2. The contract of retail purchase-sale with the use of vending machines is considered concluded from the moment the buyer performs the actions necessary to obtain the goods.

3. If a buyer does not receive the goods for which he has paid, the seller is obligated, at the demand of the buyer, to ensure immediate provision of the goods to the buyer or refund of the sum paid by him.

4. In cases when a machine is used for making change, receipt of payment denominations or exchange of currency, the rules of retail purchase and sale are applied, unless otherwise resulting from the essence of the obligation.

Article 499. Sale of goods with condition of their delivery to the buyer

1. In the case when the contract of retail purchase-sale is concluded with the condition of delivery of the goods to the buyer, the seller is obligated to deliver the goods within the time specified in the contract to the place indicated by the buyer, and if the place of delivery of the goods is not specified by the buyer—to the place of residence of the citizen or place of location of the legal entity which is the buyer.

2. The contract of retail purchase-sale is considered fulfilled from the moment of receipt of goods by the buyer, and in his absence—by any person submitting a receipt or other document testifying to the conclusion of the contract or to certification of delivery of the goods, unless otherwise specified by law, other legal statutes, or by the contract, or stemming from the essence of the obligation.

3. In the case when the contract does not define the time of delivery of the goods for presentation to the buyer, the goods must be delivered within a reasonable time after receipt of the buyer's request.

Article 500. Price and payment for goods

1. The buyer is obligated to pay for goods at the price stated by the seller at the moment of concluding the contract of retail purchase-sale, unless otherwise specified by law or other legal statutes or stemming from the essence of the obligations.

2. In cases when the contract of retail purchase-sale provides for prepayment of the goods (Article 487), the buyer's failure to pay for the goods within the time specified in the contract is considered to be the buyer's refusal of fulfillment of the contract, unless otherwise specified by agreement of the parties.

3. The rules specified in paragraph one, point 4, Article 488 of the present Code do not apply to contracts of retail purchase and sale for credit, including on conditions of term payment by the buyer.

The buyer has the right to pay off the goods at any time within the period of term payment of the goods specified by the contract.

Article 501. Contract of rental-sale

A contract may specify that, prior to transfer of the right of ownership of the goods to the buyer (Article 491), the buyer is a renter of the goods which have been handed over to him (contract of rental-sale).

Unless otherwise specified in the contract, the buyer becomes the owner of the goods from the moment of payment for the goods.

Article 502. Exchange of goods

1. Within a period of 14 days from the moment of transfer of non-food commodity items to him, if a longer period is not announced by the seller, a buyer has the right to exchange goods which he has purchased at the place of purchase or other places specified by the seller, for analogous goods of different size, form, dimensions, style, color, or complementation, performing the necessary re-accounting with the seller in case of a difference in price.

If the seller does not have the goods necessary to make the exchange, the buyer has the right to return the purchased goods to the seller and to receive refund of the monetary sum paid for them.

The buyer's demand of exchange or return of goods is subject to satisfaction provided the goods are unused, have retained their consumer properties and if there is proof of their purchase from the given seller.

2. The list of goods which are not subject to exchange or return for the reasons indicated in the present article is defined in accordance with the procedure established by law or by other legal statutes.

Article 503. Buyer's rights in case of sale of goods of improper quality to him

1. A buyer to whom goods of improper quality have been sold, if their defects were not stipulated by the seller, has the right, at his discretion, to demand:

—replacement of the poor quality goods with goods of proper quality;

—commensurate reduction in the purchase price;

—immediate uncompensated correction of the defects in the goods;

—compensation of expenditures for correction of defects in the goods;

The buyer has the right to demand replacement of technically complex or expensive goods in case of significant violation of the requirements for their quality (point 2, Article 475).

2. If defects are discovered in goods whose nature does not allow their correction (food products, household chemical goods, etc.), the buyer has the right, at his discretion, to demand replacement of such goods with goods of proper quality or commensurate reduction of the purchase price.

3. Instead of presenting the demands specified in points 1 and 2 of the present article, a buyer has the right to refuse fulfillment of the contract of retail purchase-sale and to demand a refund of the monetary sum paid for the goods.

Moreover, the buyer, at the demand of the seller and at his expense, must return the goods of improper quality which have been received.

Upon return of the monetary sum paid for goods to the buyer, the seller does not have the right to deduct from it the sum by which the value of the goods was reduced due to full or partial use of the goods, loss of commercial appearance by them, or other similar circumstances.

Article 504. Compensation of difference in price during exchange of goods, reduction of purchase price and return of goods of improper quality

1. Upon exchange of poor quality goods for goods which correspond to the quality specified in the contract of retail purchase-sale, the seller does not have the right to demand compensation for the difference between the price of the goods specified by the contract and the price of the goods existing at the moment of exchange of the

goods or at the moment of issuance of the court ruling on exchange of the goods.

2. Upon exchange of poor quality goods for analogous goods of proper quality, but of different size, style, grade, and other indicators, the exchanged goods are subject to compensation of difference between the price of the exchanged goods at the moment of exchange and the price of the goods given in exchange for the goods of improper quality.

If the demand of the buyer is not met by the seller, the price on the replaced goods and the price on the goods given in exchange for them is determined at the moment of issuance of the court ruling on exchange of the goods.

3. In the case of presentation of demand on commensurate reduction in the purchase price of goods, the price of the goods at the moment the presentation of demand on price reduction is taken into consideration, and if the buyer's demand is not voluntarily fulfilled—at the moment of issuance of court ruling on commensurate reduction in price.

4. Upon return of goods of improper quality to the seller, the buyer has the right to demand compensation of the difference between the price of the goods specified in the contract of retail purchase-sale and the price of the corresponding goods at the moment of voluntary satisfaction of his demand, and if the demand was not voluntarily satisfied—at the moment of issuance of the court ruling.

Article 505. Responsibility of seller and fulfillment of obligation in kind

In case of the seller's failure to fulfill his obligations under the contract of retail purchase and sale, compensation of losses and payment of forfeiture do not absolve the seller from fulfillment of the obligation in kind.

#3. Supply of goods

Article 506. Supply contract

1. In accordance with the contract of supply, the supplier (seller) performing entrepreneurial activity promises to hand over within a specified time or times the goods produced or procured by him to the buyer for use in entrepreneurial activity or for other purposes not associated with personal, family, household or other similar application.

Article 507. Regulating differences in conclusion of supply contract

1. In the case when, in concluding the contract of supply, differences have arisen between the parties regarding individual conditions of the contract, the party which has offered to conclude the contract and received from the other party a proposal of coordinating these conditions must, within 30 days from the day of receipt of such proposal, if no other term is specified by law or is not agreed upon by the parties, take measures to coordinate the appropriate conditions of the contract, or notify the other party of its refusal to conclude it.

2. A party which has received the proposal on appropriate conditions of the contract but which has not taken measures to coordinate the conditions of the supply contract and has not given timely notification to the other party regarding its refusal to conclude the contract, as specified in point 1 of the present article, is obligated to compensate the losses caused by refusal to coordinate the conditions of the contract.

Article 508. Periods of supply of goods

1. In the case when the parties have specified supply of goods within the period of effectiveness of the supply contract in individual lots, and the terms of supply of the individual lots (supply periods) are not defined in it, then the goods are supplied in uniform lots on a monthly basis, unless otherwise resulting from the law, other legal statutes, the essence of the obligation or the customs of business practice.

2. Along with stipulating the supply periods, the supply contract may specify a shedule for supply of the goods (10-day period, daily, hourly, etc.).

3. Supply of goods ahead of schedule may be performed with the consent of the buyer.

Goods supplied ahead of schedule and accepted by the buyer are credited toward the quantity of goods to be supplied in the subsequent period.

Article 509. Order of supply of goods

1. Supply of goods is performed by the supplier by means of shipment (transfer) of the goods to the buyer, who is the party to the agreement, or to the person indicated in the contract as the consignee.

2. In the case when the supply contract specifies the buyer's right to give the supplier instructions on shipment (transfer) of the goods to the consignees (shipping orders), the supplier performs shipment (transfer) of the goods to the consignees indicated in the shipping order.

The content of the shipping order and the terms of its forwarding by the buyer to the supplier are defined by the contract. If the terms of forwarding the shipping order are not stipulated in the contract, it must be forwarded to the supplier no later than 30 days prior to the onset of the supply period.

3. Failure by the buyer to present a shipping order within the specified time gives the supplier the right either to reject fulfillment of the supply contract or to demand payment for the goods from the buyer. Moreover, the supplier has the right to demand compensation for losses inflicted in connection for failure to submit a shipping order.

Article 510. Delivery of goods

1. Delivery of goods is performed by the supplier by means of their shipment via the type of transport specified in the supply contract, and on the conditions stipulated in the contract.

In cases when the contract does not specify the means of transport or the conditions on which delivery is to be performed, the right of choice of the means of transport or determination of the conditions of delivery of the goods belongs to the supplier, unless otherwise resulting from the law, other legal statutes, the essence of the obligation or the generally accepted customs of business practice.

2. The supply contract may specify the receipt of goods by the buyer (consignee) at the place of location of the supplier (pick-up of goods).

If the term of pick-up is not specified in the contract, pick-up of goods by the buyer (consignee) must be performed within a reasonable time after receipt of the supplier's notification of readiness of the goods.

Article 511. Replentishing undersupply of goods

1. A supplier who has allowed an undersupply of goods in an individual supply period must make up for the undersupplied quantity of goods in the subsequent period (periods), within the term of effectiveness of the supply contract, unless otherwise specified by the contract.

2. In the case when the goods are shipped by the supplier to several consignees, specified in the supply contract or in the buyer's shipping order, the goods supplied to one consignee over the amount specified in the contract or shipping order are not credited toward covering the undersupply to other consignees, and are subject to being made up by the supplier, unless otherwise specified in the contract.

3. The buyer has the right, upon having notified the supplier, to refuse receipt of goods whose supply is overdue, unless otherwise specified in the supply contract. Goods supplied prior to the supplier's receipt of notification must be accepted and paid for by the buyer.

Article 512. Assortment of goods in replentishment of undersupply

1. The assortment of goods whose undersupply is to be replentished is defined by agreement of the parties. In the absence of such agreement, the supplier must replentish the undersupplied quantity of goods in the assortment specified for that period in which the undersupply was allowed.

2. Supply of goods of one description in greater quantity than specified by the contract is not credited toward covering undersupply of goods of another description which are part of the same assortment, and is subject to replentishment, except for cases when such supply is performed with prior written consent of the buyer.

Article 513. Acceptance of goods by the buyer

1. The buyer (consignee) must perform all necessary actions ensuring acceptance of the goods supplied in accordance with the supply contract.

2. The goods accepted by the buyer (consignee) must be inspected by him within the time specified by law, other legal statutes, by the supply contract, or by the customs of business practice.

The buyer (consignee) must verify the quantity and quality of the received goods within this same period, in accordance with the procedure specified by law, other legal statutes, by the contract or by customs of business practice, and must immediately give written notification to the supplier regarding any inconsistencies or defects which he has discovered in the goods.

3. If the supplied goods are received from a transport organization, the buyer (consignee) must verify the correspondence of the goods to the information specified in the transport and accompanying documents, and also accept these goods from the transport organization with adherence to the rules specified by the laws and other legal statutes regulating the operation of transport.

Article 514. Responsible storage of goods not accepted by buyer

1. When the buyer (consignee), in accordance with the law, other legal statutes or with the supply contract, refuses the goods being handed over by the supplier, he must provide for the safekeeping of these goods (responsible storage), and immediately notify the supplier.

2. The supplier is obligated to convey the goods accepted [as printed] by the buyer (consignee) to responsible storage, or dispose of them within a reasonable time.

If the supplier does not dispose of the goods within this time, the buyer has the right to sell the goods or to return them to the supplier.

3. Necessary expenditures incurred by the buyer in connection with acceptance of the goods for responsible storage, sale of the goods, or their return to the seller are subject to compensation by the supplier.

Moreover, the proceeds from sale of the goods are handed over to the supplier, after deduction of the sum due to the buyer.

4. In cases when the buyer, without grounds established by law, other legal statutes, or by the contract, does not accept the goods from the supplier or refuses to accept them, the supplier has the right to demand payment for the goods from the buyer.

Article 515. Pick-up of goods

1. When the supply contract specifies pick-up of goods by the buyer (consignee) at the place of location of the supplier (point 2, Article 510), the buyer is obligated to perform inspection of the goods being handed over to him at the place of their transfer, unless otherwise specified by law, other legal statutes, or results from the essence of the obligation.

2. Failure by the buyer (consignee) to pick up the goods within the period established by the supply contract, and in its absence—within a reasonable time after receipt of the supplier's notification of readiness of the goods, gives the supplier the right to refuse fulfillment of the contract or to demand payment for the goods from the buyer.

Article 516. Accounting for supplied goods

1. The buyer pays for the supplied goods with adherence to the procedure and form of accounting specified in the contract. If the procedure and form of accounting are not defined by agreement of the parties, the accounting is performed by a payment authorization.

2. If the supply contract specifies that payment for the goods shall be performed by the consignee (payer), and the latter groundlessly refuses payment or does not pay for the goods within the time specified by the contract, the supplier has the right to demand payment for the supplied goods from the buyer.

3. In the case when the supply contract specifies supply of goods in individual lots, which are included in a complement, then payment for the goods by the buyer is performed after shipment (pick-up) of the last portion of the complement, unless otherwise specified by the contract.

Article 517. Containers and packaging

Unless otherwise specified by the supply contract, the buyer (consignee) is obligated to return to the supplier the re-usable containers and means of packaging in which the goods were received, in accordance with the procedure and within the times specified by the law, other legal statutes, mandatory rules adopted in accordance with them, or by the contract.

Other containers, and likewise packaging of goods, are subject to return to the supplier only in cases specified by the contract.

Article 518. Consequences of supply of goods of improper quality

1. The buyer (consignee) to whom goods of improper quality have been supplied has the right to submit demands to the supplier, as specified in Article 475 of the present Code, with the exception of the case when the supplier who has received the buyer's (consignee's) notification of defects in the supplied goods immediately replaces the supplied goods with goods of proper quality.

2. The buyer (consignee) performing retail sale of the goods supplied to him has the right to demand replacement, within reasonable time, of goods of improper quality which have been returned by the consumer, unless otherwise specified in the supply contract.

Article 519. Consequences of supply of goods which are not in complement

1. The buyer (consignee) to whom goods are supplied in violation of the supply contract conditions, requirements of the law, other legal statutes or the generally established requirements on full complement, has the right to submit to the supplier demands as specified in Article 480 of the present Code, with the exception of the case when the supplier who has received notification from the buyer regarding goods which have been supplied not in their full complement immediately replentishes the complement of goods, or replaces them with goods in complement.

2. The buyer (consignee) performing retail sale of the goods has the right to demand replacement of non-complement goods returned by the consumer with complement ones within a reasonable time, unless otherwise specified in the supply contract.

Article 520. Rights of buyer in case of undersupply of goods, non-fulfillment of

requirements to correct defects in goods, or failure to replentish complement of goods

1. If the supplier has not supplied the quantity of goods specified in the supply contract, or has not fulfilled the buyer's demands on replacement of poor quality goods or on replentishing complementation of goods within the specified time, the buyer has the right to acquire the undersupplied goods from other parties, charging all the necessary and reasonable expenditures for their acquisition to the supplier.

Computation of buyer's expenditures for acquisition of goods from other parties, in cases of their undersupply by the supplier or his failure to fulfill buyer's demands on correcting defects in the goods or on replentishing complement of goods, is performed according to the rules specified in point 1, Article 524 of the present Code.

2. The buyer (consignee) has the right to refuse payment for goods of improper quality or those not supplied in full complement, and if such goods have been prepaid—to demand refund of the paid sums until the defects have been corrected and the goods have been supplied in complement, or until they have been replaced.

Article 521. Forfeiture for undersupply of goods or overdue supply of goods

The forfeiture for undersupply or overdue supply of goods, specified by the law or by the supply contract, is collected from the supplier until the time of actual fulfillment of his obligations within the limits of his responsibility to replentish the undersupplied quantity of goods in subsequent supply periods, unless a different order of payment of forfeiture is specified by law or by contract.

Article 522. Fulfillment of like obligations under several supply contracts

1. In cases when the supply of like goods is performed by the supplier to the buyer simultaneously under several supply contracts and the amount of the supplied goods is insufficient to fulfill the supplier's obligation under all the contracts, the supplied goods must be credited toward fulfillment of the contract specified by the supplier at the time of provision of the supply, or immediately after its provision.

2. If the buyer has paid the supplier for like goods received under several supply contracts, and the sum of payment is insufficient to fulfill the buyer's obligations under all the contracts, the sum paid must be credited toward fulfillment of the contract specified by the buyer at the time of payment for the goods, or immediately after payment.

3. If the supplier or the buyer have not exercised the rights granted to them respectively by points 1 and 2 of the present article, fulfillment of the obligation is credited toward repayment of obligations under the contract whose term of fulfillment ensued previously. If the term of fulfillment of obligations under several contracts ensued simultaneously, the granted fulfillment is credited proportionately toward repayment of obligations under all the contracts.

Article 523. Unilateral refusal to fulfill supply contract

1. Unilateral refusal to fulfill the supply contract (in full or in part), or its unilateral amendment, are permitted in the case of significant violation of the contract by one of the parties (paragraph 4, point 2, Article 450).

2. Violation of the supply contract by the supplier is considered to be significant in the cases of:

—supply of goods of improper quality with defects which cannot be corrected within a time acceptable to the buyer;

—repeated violations of supply terms of goods.

3. Violation of the supply contract by the buyer is considered to be significant in the cases of:

—repeated violation of terms of payment for the goods;

—repeated failure to pick up goods.

4. The supply contract is considered to be amended or dissolved from the moment one party receives notification from the other party regarding its unilateral refusal to fulfill the contract in full or in part, unless a different term of resolution or amendment of the contract is specified in the notification or defined by agreement of the parties.

Article 524. Computing losses in dissolution of contract

1. If, within a reasonable time after dissolution of a contract as a result of violation of obligations by the seller, the buyer has purchased the goods to replace those specified in the contract from another party at a higher but reasonable price, the buyer may submit to the seller a demand for compensation of losses in the form of the difference between the price specified in the contract and the price of the deal concluded instead.

2. If, within a reasonable time after dissolution of the contract as a result of violation of obligations by the buyer, the seller sells the goods to another party at a lower price than that specified in the contract, but still at a reasonable price, the seller may submit to the buyer

a demand for compensation of losses in the form of the difference between the price specified in the contract and the price of the deal concluded instead.

3. If, after dissolution of the contract on grounds specified in points 1 and 2 of the present article, a deal is not concluded in place of the dissolved contract and there is a current price on the said goods, the party may submit a demand on compensation of losses in the form of the difference between the price specified in the contract and the current price at the moment of dissolution of the contract.

The current price is considered to be the price generally charged in comparable circumstances for analogous goods at the place where the transfer of goods was to have been performed. If there is no current price at such place, the current price applied at another place may be used, which may serve as a reasonable substitute, with consideration for the differences in expenditures for transport of the goods.

4. Satisfaction of demands specified in points 1, 2 and 3 of the present article does not absolve a party which has not fulfilled or has improperly fulfilled its obligation, from compensation of other losses inflicted upon the other party, on the basis of Article 15 of the present Code.

#4. Supply of goods for state needs

Article 525. Grounds for supply of goods for state needs

1. Supply of goods for state needs is performed on the basis of the state contract for supply of goods for state needs, and likewise contracts for supply of goods for state needs which are concluded in accordance with it (point 2, Article 530). State needs are recognized to be the needs of the Russian Federation or subjects of the Russian Federation specified in the lawfully established procedure and provided for at the expanse of budget funds and extra-budgetary sources of financing.

2. The rules on the supply contract (Articles 506-523) are applied to relations on supply of goods for state needs, unless otherwise specified by the rules of the present Code.

The laws on supply of goods for state needs are applied to relations on supply of goods for state needs in the portion not regulated by the present paragraph.

Article 526. State contract for supply of goods for state needs

According to the state contract for supply of goods for state needs (henceforth—state contract), the supplier (executor) promises to hand over the goods to the state contractor or, at his indication, to some other party. The state contractor, in turn, promises to ensure payment for the supplied goods.

Article 527. Grounds for concluding state contract

1. The state contract is concluded on the basis of an order by a state contractor for supply of goods for state needs, accepted by the supplier (executor).

Conclusion of the state contract is mandatory for the state contractor placing the order accepted by the supplier (executor).

2. Conclusion of the state contract is mandatory for the supplier (executor) only in the cases specified by law, and under the condition that the state contractor compensates all losses which may be incurred by the supplier (executor) in connection with fulfillment of the state contract.

3. The condition on compensation of losses specified in point 2 of the present article is not applied in regard to a public enterprise.

4. If the order for supply of goods for state needs is placed by competition, the conclusion of the state contract with the supplier (executor) who is announced as the winner of the competition is mandatory for the state contractor.

Article 528. Procedure for concluding state contract

1. The draft state contract is drawn up by the state contractor and forwarded to the supplier (executor), unless otherwise specified by agreement between them.

2. The party receiving the draft state contract signs it within no later than 30 days and returns one copy of the state contract to the other party. If there are differences of opinion on conditions of the state contract, the first party compiles a protocol of differences within this same time and forwards it to the other party along with the signed state contract, or notifies the latter of its refusal to conclude the state contract.

3. The party receiving the state contract with the protocol of differences must, within a period of 30 days, review the differences, take measures for coordinating them with the other party, and inform the other party of adoption of the state contract in the coordinated edition or of rejection of the protocol of differences.

Upon rejection of the protocol of differences or expiration of this term, all unregulated differences on the state contract whose conclusion is mandatory for one of the parties may be handed over by the other party within a 30-day period for review by the court.

4. In the case when the state contract is concluded based on the results of competition for placement of the order for supply of goods for state needs, the state contract must be concluded no later than 20 days from the day the competition is held.

5. If the party for which conclusion of the state contract is mandatory refuses to conclude it, the other party has the right to appeal to court with a demand to force the first party to conclude the state contract.

Article 529. Conclusion of contract for supply of goods for state needs

1. If the state contract stipulates that the supply of goods is to be performed by the supplier (executor) specified by the state contractor to the buyer under agreements for supply of goods for state needs, the state contractor, no later than 30 days from the day of signing of the state contract, forwards to the supplier (executor) and the buyer a notification of assigning the buyer to the supplier (executor).

Notification of assignment of buyer to supplier (executor) issued by the state contractor in accordance with the state contract constitutes grounds for concluding the contract for supply of goods for state needs.

2. The supplier (executor) must forward the draft contract for supply of goods for state needs to the buyer indicated in the notification of assignment no later than 30 days from the day of receipt of notification from the state contractor, if no other order of preparing the draft contract is specified in the state contract or if the draft contract is not submitted by the buyer.

3. Within 30 days from the day of receipt of the draft, the party receiving the draft contract for supply of goods for state needs signs it and returns one copy of the contract to the other party. If there are differences of opinion on conditions of the contract, it compiles a protocol of differences within this same period and forwards it to the other party along with the signed contract.

4. The party receiving the signed draft contract for supply of goods for state needs along with the protocol of differences must, within a 30-day period, review the differences and take measures for coordinating the conditions of the contract with the other party, and notify it of acceptance of the contract in its edition or of its rejection of the protocol of differences. Differences which are not regulated within a 30-day period may be handed over by the interested party for review of the court.

5. If a supplier (executor) evades conclusion of the contract for supply of goods for state needs, the buyer has the riught to appeal to court with a demand to force the supplier (executor) to conclude the contract on the conditions of the draft contract drawn up by the buyer.

Article 530. Refusal of the buyer to conclude contract for supply of goods for state needs

1. The buyer has the right to refuse, in full or in part, the goods specified in the notification of assignment, and to refuse to conclude the contract for their supply.

In this case, the supplier (executor) must immediately notify the state contractor and has the right to demand from him a notification of assignment to another buyer.

2. No later than 30 days from the day of receipt of the supplier's (executor's) notification, the state contractor either issues notification of assignment of a different buyer to the supplier (executor), or forwards to the supplier (executor) a shipping order with indication of the consignee of the goods, or announces his consent to accept and pay for the goods.

3. If the state contractor fails to fulfill the obligations specified in point 2 of the present article, the supplier (executor) has the right either to demand that the state contractor accept and pay for the goods, or to sell the goods at his discretion, charging the reasonable expenditures associated with their sale to the state contractor.

Article 531. Fulfillment of state contract

1. In cases when, in accordance with the conditions of the state contract, supply of goods is performed directly to the state contractor or, at his indication (shipping order), to some other party (consignee), the relations of the parties in fulfillment of the state contract are regulated by the rules specified in Articles 506-523 of the present Code.

2. In cases when the supply of goods for state needs is performed by the consignee specified in the shipping order, payment for the goods is performed by the state contractor, unless a different procedure of accounting is specified in the state contract.

Article 532. Payment for goods under contract for supply of goods for state needs

Upon supply of goods to buyers under contracts for supply of goods for state needs, payment for the goods is performed by the buyers at prices determined in accordance with the state contract, if a different procedure for determining prices and accounting is not specified in the state contract.

In case of payment by the buyer of the goods under the contract for supply of goods for state needs, the state contractor is recognized as the guarantor for this obligation of the buyer (Articles 361-367).

Article 533. Compensation of losses inflicted in connection with fulfillment or dissolution of state contract

1. Unless otherwise specified by the laws on supply of goods for state needs or by the state contract, losses which are inflicted upon the supplier (executor) in connection with fulfillment of the state contract (point 2, Article 527) are subject to compensation by the state contractor no later than 30 days from the day of transfer of goods in accordance with the state contract.

2. In the case when the losses inflicted upon the supplier (executor) in connection with fulfillment of the state contract are not compensated in accordance with the state contract, the supplier (executor) has the right to refuse fulfillment of the state contract and to demand compensation of losses resulting from dissolution of the state contract.

3. Upon dissolution of the state contract on grounds specified in point 2 of the present article, the supplier has the right to refuse fulfillment of the contract for supply of goods for state needs.

Losses inflicted upon the buyer by such refusal of the supplier are compensated by the state contractor.

Article 534. Refusal of state contractor to accept goods supplied under state contract

In the cases specified by law, the state contractor has the right to refuse, in full or in part, the goods whose supply is specified by the state contract, under the condition that he compensate the supplier for the losses inflicted by such refusal.

If the refusal of the state contractor to accept goods whose supply is specified in the state contract entailed dissolution or amendment of the contract of supply of goods for state needs, the losses inflicted upon the buyer by such dissolution or amendment are compensated by the state contractor.

#5. Contracting

Article 535. Contracting agreement

1. According to the contracting agreement, the producer of agricultural products promises to hand over the agricultural products raised (produced) by him to the party performing procurement [purveyor] of such products for processing or sale.

2. The rules on the contract of supply (Articles 506-524) are applicable to the relations under the contracting agreement which are not regulated by the rules of this paragraph, and in the appropriate cases—the rules on supply of goods for state needs (Articles 525-534).

Article 536. Obligations of the purveyor

1. Unless otherwise specified in the contracting agreement, the purveyor is obligated to accept agricultural products from the producer at the place of their location and to provide for their haulage.

2. In the case when the acceptance of the agricultural product is performed at the place of location of the purveyor or at some other place specified by him, the purveyor does not have the right to refuse acceptance of the agricultural product which corresponds to the conditions of the contracting agreement and is handed over to the purveyor within the time specified by the agreement.

3. The contracting agreement may specify the obligation of the purveyor performing processing of the agricultural product to return to the producer, at his request, the by-products from processing of the agricultural product, with payment at the price specified in the agreement.

Article 537. Obligations of the producer of agricultural products

The producer of agricultural products is obligated to hand over to the purveyor the agricultural product raised (produced) by him in the quantity and assortment specified in the agreement.

Article 538. Responsibility of producer of agricultural products

The producer of agricultural products who has not fulfilled his obligation, or who has improperly fulfilled his obligation, bears liability if he is at fault.

#6. Electrical power supply

Article 539. Electrical power supply agreement

1. Under the electrical power supply agreement, the electrical power supply organization [electrical utility] promises to supply power to the subscriber (consumer) through the energized system, and the subscriber promises to pay for the power received, and also to adhere to the regimen of its consumption specified in the agreement, to ensure the operational safety of power systems under his management and the good working order of devices and equipment used by him which are associated with power consumption.

2. The electrical power supply agreement is concluded with the subscriber provided he has a power receiving device which corresponds to the established technical requirements and which is connected up to the organization's power systems, as well as other necessary equipment, and likewise provision for metering power consumption.

3. The laws and other legal statutes on power supply, and likewise the mandatory rules adopted in accordance with them, are applied to the relations under the electrical power supply agreement which are not regulated by the present Code.

Article 540. Conclusion and extension of agreement on electrical power supply

1. In the case when the subscriber under the electrical power supply agreement is a citizen who uses electrical power for household consumption, the agreement is considered concluded from the moment of the first actual hook-up of the subscriber to the power system in accordance with the established procedure.

Unless otherwise specified by mutual consent of the parties, such agreement is considered concluded for an indefinite term, and may be amended or terminated on the grounds specified in Article 546 of the present Code.

2. The electrical power supply agreement concluded for a specific period is considered to be extended for this same period and on the same conditions, if prior to the conclusion of the term of its effectiveness neither of the parties has announced its termination or amendment, or the conclusion of a new agreement.

3. If, prior to the expiration of the term of effectiveness of the agreement, one of the parties submits a proposal on concluding a new agreement, the relations of the parties prior to conclusion of the new agreement are regulated by the previously concluded agreement.

Article 541. Amount of electrical power

1. The electrical utility is obligated to provide the subscriber power through the energized system in the amount specified in the electrical power supply agreement, and with adherence to the regimen of supply coordinated by the parties. The amount of electrical power supplied by the utility and utilized by the subscriber is determined in accordance with the data on recording its actual consumption.

2. The electrical power supply agreement may specify the right of the subscriber to change the amount of electrical power received by him as defined by the agreement, under the condition that he compensates the expenditures incurred by the utility in connection with ensuring the power supply in the amount specified in the agreement.

3. In the case when the subscriber under an electrical power supply agreement is a citizen who uses electrical power for household consumption, he has the right to use the power in the amount necessary to him.

Article 542. Quality of electrical power

1. The quality of electrical power provided by the electrical utility must correspond to the requirements established by state standards and other mandatory rules, or specified by the electrical power supply agreement.

2. If the electrical utility violates the requirements set forth for quality of power, the subscriber has the right to refuse payment for such power. In this case, the electrical power supply organization has the right to demand compensation by the subscriber of the value of what the subscriber has unjustifiably saved as a result of using this energy (point 2, Article 1105).

Article 543. Obligations of buyer to maintain and operate systems, devices and equipment

1. The subscriber is obligated to ensure proper technical condition and safe operation of electrical power systems, devices and equipment, to adhere to the established regimen of power consumption, and also to immediately notify the electrical utility in case of accidents, fires, faulty power metering devices and other disruptions arising in the course of power usage.

2. In cases when the subscriber under the electrical power supply agreement is a citizen who utilizes power for household consumption, the obligation for ensuring proper technical condition and safety of electrical power systems, as well as power consumption metering devices, is placed upon the electrical utility, unless otherwise specified by law or other legal statutes.

3. Requirements for technical condition and operation of electrical power systems, devices and equipment, as well as the order of implementing control over their adherence, are defined by the law, other legal statutes, and by the mandatory regulations adopted in accordance with them.

Article 544. Payment for electrical power

1. Payment for electrical power is performed for the amount of power actually received by the subscriber in accordance with the readings of the electrical power consumption metering devices, unless otherwise specified by the laws or other legal statutes, or by mutual agreement of the parties.

2. The procedure of accounting for electrical power is defined by the law, other legal statutes, or by mutual consent of the parties.

Article 545. Secondary subscriber

A subscriber may transfer power received by him from the electrical utility through the energized system to another person (secondary subscriber) only with the consent of the electrical utility.

Article 546. Amendment and dissolution of electrical power supply agreement

1. In the case when the subscriber under an electrical power supply agreement is a citizen who utilizes electrical power for household consumption, he has the right to dissolve the agreement in unilateral order, provided that he notifies the electrical utility and makes full payment for the electrical power which he has used.

In the case when the subscriber under the electrical power supply agreement is a legal entity, the electrical utility has the right to refuse fulfillment of the agreement in unilateral manner on the grounds specified in Article 523 of the present Code, with the exception of cases specified by law or other legal statutes.

2. Interruption of service, termination or limitation of electrical power provision are permitted by agreement of the parties, with the exception of the case when the unsatisfactory state of the subscriber's electrical power installations, verified by the agency of state energy inspection, threatens to cause an accident or creates a threat to the life and safety of citizens. The electrical utility must warn the subscriber regarding interruption in service, termination or limitation of electrical power provision.

3. Interruption in service, termination or limitation of electrical power provision without correlation with the subscriber and without appropriate warning given to him, are permitted in case of necessity to take immediate measures to prevent or eliminate an accident in the electrical utility's power system, under the condition that the subscriber is given immediate notification of this fact.

Article 547. Liability under electrical power supply agreement

1. In cases of failure to fulfill or improper fulfillment of obligations under the electrical power supply agreement, the party violating its obligation must compensate the actual losses inflicted by this (point 2, Article 15).

2. If, as a result of regulation of the regimen of power consumption performed on the basis of the law or other legal statutes, an interruption in the supply of power to the subscriber is allowed, the electrical utility bears liability for non-fulfillment or improper fulfillment of the contractual obligations, if it is at fault.

Article 548. Application of rules of electrical power supply to other agreements

1. The rules specified in Articles 539-547 of the present Code are applicable to relations associated with supply of thermal energy through a connected system, unless otherwise specified by law and other legal statutes.

2. The rules of electrical power supply through an energized system (Articles 539-547) are applicable to relations associated with supply of gas, oil and petroleum products, water and other commodities through a connected system, unless otherwise specified by law, other legal statutes, or results from the essence of the obligation.

#7. Sale of immovable property

Article 549. Agreement on sale of immovable property

1. According to the agreement of purchase-sale of immovable property (agreement of sale of immovable property), the seller promises to transfer to ownership of the buyer the land plot, building, structure, apartment or other immovable property (Article 130).

2. The rules specified in the present paragraph are applied to the sale of enterprises insofar as the rules on the agreement on sale of enterprises do not specify otherwise (Articles 559-566).

Article 550. Form of agreement on sale of immovable property

The agreement on sale of immovable property is concluded in written form by means of compilation of a single document, signed by the parties (point 2, Article 434).

Failure to adhere to the form of the agreement on sale of immovable property entails its invalidity.

Article 551. State registration of transfer of right of ownership to immovable property

1. Transfer to the buyer of the right of ownership to immovable property under the agreement on sale of immovable property is subject to state registration.

2. Fulfillment of the agreement on sale of immovable property by the parties prior to state registration of the transfer of the right of ownership does not constitute grounds for altering their relations with third parties.

3. In the case when one of the parties evades state registration of the transfer of right of ownership to immovable property, the court, at the demand of the other party, has the right to issue a ruling on state registration of transfer of right of ownership. The party which unjustifiably evades state registration of transfer of right of ownership must compensate the other party for the losses caused by the delay in registration.

Article 552. Rights to land plot in the sale of building, structure or other immovable property located on it

1. According to the agreement on sale of building, structure or other immovable property, the buyer, simultaneously with transfer of right of ownership to such immovable property, is also given the right to that part of the land plot which is occupied by this immovable property and is necessary for its use.

2. In the case when the seller is the owner of the land plot on which the sold immovable property is located, the buyer is granted the right of ownership or offered the right of lease, or other right to the appropriate part of the land plot as specified in the agreement on sale of immovable property.

If the agreement does not define the right to the appropriate land plot which is being granted to the buyer of the immovable property, the buyer receives the right of ownership of that part of the land plot which is occupied by the immovable property and is necessary for its use.

3. Sale of immovable property located on a land plot which does not belong to the seller with the right of ownership is permitted without consent of the owner of this plot, if this does not contradict the conditions of use of such land plot, as specified by law or by the agreement.

Upon sale of such immovable property, the buyer acquires the right of use of the appropriate part of the land plot on the same conditions as the seller of the immovable property had.

Article 553. Rights to immovable property in sale of land plot

In cases when a land plot on which a building, structure or other immovable property belonging to the seller is located, is sold without transfer of this immovable property to the ownership of the buyer, the seller retains the right to use the part of the land plot occupied by the immovable property and necessary for its use, on the conditions specified in the agreement of sale.

If the conditions of use of the appropriate part of the land plot are not defined by the agreement of its sale, the seller retains the right of limited use (servitude) of that part of the land plot which is occupied by the immovable property and is necessary for its use in accordance with its intended purpose.

Article 554. Definition of object in agreement on sale of immovable property

The agreement on sale of immovable property must indicate the data which make it possible to specifically define the immovable property subject to transfer to the buyer under the agreement, including data defining the location of the immovable property on the appropriate land plot or within the complement of other immovable property.

In the absence of these data in the agreement, the condition on immovable property subject to transfer is considered uncoordinated by the parties, and the appropriate agreement is considered not to be concluded.

Article 555. Price in agreement on sale of immovable property

1. The agreement on sale of immovable property must specify the price of this property.

If the contract does not contain a condition on price of the immovable property, agreed upon by the parties in written form, the agreement on its sale is considered not to be concluded. In this case, the rules for determining price specified in point 3, Article 424 of the present Code are not applied.

2. Unless otherwise specified by law or by the agreement on sale of immovable property, the price of a building, structure or other immovable property located on the land plot, as specified in the agreement, includes the price of the appropriate part of the land plot or right to it which is handed over along with this immovable property.

3. In cases when the price of immovable property in the agreement on sale of immovable property is specified for a unit of its area or other indicator of its size, the total price of such immovable property subject to payment is determined based upon the actual dimensions of the immovable property handed over to the buyer.

Article 556. Transfer of immovable property

1. Transfer of immovable property by the seller and its acceptance by the buyer are performed in accordance with a writ of transfer signed by the parties, or in accordance with some other document of transfer.

Unless otherwise specified by law or by the agreement, the obligation of the seller to transfer the immovable property to the buyer is considered fulfilled after this property is handed over to the buyer and the appropriate document of transfer has been signed by the parties.

Evasion by one of the parties from signing the document of transfer of immovable property on conditions specified in the agreement is considered as refusal of the seller to fulfill his obligation to transfer the property, and of the buyer—of his obligation to accept the property.

2. Acceptance by the buyer of immovable property which does not correspond to the conditions of the agreement on sale of immovable property, including in the case when such non-correspondence is stipulated in the document of transfer of immovable property, does not constitute grounds for absolving the seller of responsibility for improper fulfillment of the agreement.

Article 557. Consequences of transfer of immovable property of improper quality

In the case of transfer by the seller to the buyer of immovable property which does not correspond to the conditions of the agreement on sale of immovable property in regard to its quality, the rules of Article 475 of the present Code shall be applied, with the exception of statutes on the right of the buyer to demand replacement of goods of improper quality with goods which coorespond to the agreement.

Article 558. Specifics of sale of residential buildings

1. A significant condition of the agreement on sale of a residential house, apartment, part of a residential house or apartment inhabited by persons who in accordance with the law retain the right of use of this residential building after its acquisition by the buyer, is the list of these persons, with indication of their right of use of the residential building which is being sold.

2. The agreement on sale of a residential house, apartment, or part of a residential house or apartment is subject to state registration, and is considered concluded from the moment of such registration.

#7. Sale of enterprise

Article 559. Agreement on sale of enterprise

1. According to the agreement on sale of enterprise, the seller promises to hand over for ownership to the buyer an enterprise as a whole property complex (Article 132), with exception of rights and responsibilities which the seller does not have the right to transfer to other parties.

2. Rights to the firm name, trademarks, symbols of service and other means of individualization of the seller and his products, work or services performed by him are transferred to the buyer, unless otherwise specified by the agreement.

3. Rights of the seller obtained by him on the basis of a special permit (license) to engage in the appropriate activity are not subject to transfer to the buyer of the enterprise, unless otherwise specified by law or by other legal statutes. Inclusion of obligations whose fulfillment is impossible by the buyer in the absence of such a special permit (license) in the complement of the enterprise being handed over by agreement does not absolve the seller from the appropriate obligations to his creditors. The seller and buyer bear joint liability to creditors for failure to fulfill such obligations.

Article 560. Form and state registration of agreement on sale of enterprise

1. The agreement on sale of enterprise is concluded in written form by means of compilation of a single document signed by the parties (point 2, Article 434), with mandatory affixation to it of documents specified in point 2, Article 561 of the present Code.

2. Failure to adhere to the form of the agreement on sale of an enterprise entails its invalidity.

3. The agreement on sale of an enterprise is subject to state registration and is considered concluded from the moment of such registration.

Article 561. Certification of complement of enterprise which is being sold

1. The complement and value of the enterprise which is being sold are determined on the basis of complete inventory of the enterprise, performed in accordance with the established rules of such inventory.

2. Prior to signing the agreement on sale of enterprise, the parties must compile and review a statute of inventory, a bookkeeping balance, the report of an independent auditor on the complement and value of the enterprise, as well as a list of all debts (obligations) included in the complement of the enterprise, with indication of creditors and the nature, amount and terms of their demands.

The property, rights and obligations indicated in the above-named documents are subject to transfer by the seller to the buyer, unless otherwise resulting from Article 559 of the present Code or specified by mutual consent of the parties.

Article 562. Rights of creditors during sale of enterprise

1. According to the obligations included in the complement of an enterprise which is being sold, creditors must be given written notification of its sale by one of the parties to the agreement on sale of the enterprise.

2. A creditor who has not given written notice to the seller or buyer of his consent on transfer of debt has the right, within 3 months from the day of receiving notification on the sale of the enterprise, demand either termination or early fulfillment of the obligation and compensation of inflicted losses by the seller, or he may demand that the agreement on sale of the enterprise be deemed invalid in full or in its appropriate part.

3. A creditor who has not been notified of the sale of the enterprise in accordance with the procedure specified in point 1 of the present article may file a claim on satisfaction of demands, as specified in point 2 of the present article, within a year from the day he learns or should have learned about the transfer of the enterprise by the seller to the buyer.

4. After transfer of the enterprise to the buyer, the seller and the buyer bear joint liability for debts which are included in the complement of the transferred enterprise, which were transferred to the buyer without the consent of the creditors.

Article 563. Transfer of enterprise

1. Transfer of the enterprise by the seller to the buyer is performed according to a statute of transfer, which indicates data on the complement of the enterprise and on notification of creditors regarding the sale of the enterprise, as well as information on any shortcomings which have been discovered in the transferred property and a list of property whose obligations of transfer have not been fulfilled by the seller due to its loss.

Preparation of the enterprise for transfer, including compilation and presentation of the statute of transfer for signing, is the responsibility of the seller, and is performed at his expense, unless otherwise specified by the agreement.

2. An enterprise is considered to be transferred to the buyer from the day both parties sign the statute of transfer.

From this moment, the buyer assumes risk of accidental loss or accidental damage of property handed over within the complement of the enterprise.

Article 564. Transfer of right of ownership of enterprise

1. The right of ownership of an enterprise is transferred to the buyer from the moment of state registration of this right.

2. Unless otherwise specified by the agreement, the right of ownership of the enterprise passes to the buyer and is subject to state registration immediately after transfer of the enterprise to the buyer (Article 563).

3. In cases when the agreement provides for the seller's retention of the right of ownership to the enterprise which has been transferred to the buyer until payment for the enterprise has been completed or until the onset of other circumstances, the buyer has the right to manage the property and rights included in the complement of the transferred enterprise until the right of ownership is transferred to him, to the degree in which this is necessary for the purposes for which the enterprise was acquired.

Article 565. Consequences of transfer and acceptance of enterprise with defects

1. The consequences of transfer by the seller and acceptance by the buyer under the statute of transfer of an enterprise whose complement does not correspond to that specified in the contract, including in regard to the quality of the transferred property, are defined on the basis of the rules specified by Articles 460-462, 466, 469, 475, and 479 of the present Code, unless otherwise resulting from the agreement or specified by points 2-4 of the present article.

2. In the case when the enterprise is transferred and accepted in accordance with a statute of transfer which stipulates information about the defects discovered at the enterprise and about the lost property (point 1, Article 563), the buyer has the right to demand appropriate reduction in the purchase price of the enterprise, if the right to present other demands in such cases is not specified in the agreement on sale of the enterprise.

3. The buyer has the right to demand reduction of the purchase price in the case of transfer of the seller's debts (obligations) to him within the complement of the entepise, if these debts (obligations) were not specified in the agreement on sale of enterprise or in the statute of transfer, and if the seller does not prove that the buyer knew of such debts (obligations) at the time of conclusion of the agreement and transfer of the enterprise.

4. In case of receiving notification from the buyer regarding defects in the property handed over within the complement of the enterprise, or regarding the absence

of certain types of property within this complement which are subject to transfer, a seller may, without delay, substitute the property of improper quality or present the missing property to the buyer.

5. The buyer has the right to demand court dissolution or amendment of the agreement on sale of the enterprise and return of that which was performed by the parties under the agreement, if it is determined that the enterprise, due to shortcomings for which the seller is answerable, is unsuitable for the purposes stated in the agreement of sale, and if these shortcomings are not corrected by the seller under the conditions, in the order and within the terms established in accordance with the present Code, other laws, other legal statutes or by the agreement, or if correction of such shortcomings is impossible.

Article 566. Application of rules on consequences of invalidity of deals and on dissolution and amendment of agreement on sale of enterprise

Rules of the present Code on the consequences of invalidity of deals and on dissolution and amendment of the agreement on purchase and sale which provide for the return or repayment in kind of what was received under the agreement from one or both parties, are applied to the agreement on sale of enterprise, if such consequences do not significantly violate the rights and lawfully protected interests of the creditors of the seller and the buyer or other persons, and do not contradict public interests.

Chapter 31. BARTER

Article 567. Barter agreement

1. According to the barter agreement, each of the parties promises to hand over to the ownership of the other party one type of goods in exchange for another.

2. The rules on purchase and sale (Chapter 30) are applied to the barter agreement, respectively, if this does not contradict the rules of the present chapter and the essence of barter. Moreover, each of the parties is deemed to be the seller of the goods which it promises to hand over, and the buyer of the goods which it promises to accept in exchange.

Article 568. Prices and expenditures under the barter agreement

1. Unless otherwise resulting from the agreement, goods subject to barter are presumed to be of equal value, and expenditures for their transfer and acceptance are incurred in each case by that party which bears the appropriate responsibilities.

2. In the case when, in accordance with the agreement, the exchanged goods are considered to be not of equal value, the party obligated to hand over the goods whose price is lower than the price of the goods given in exchange must pay the difference in prices immediately before or after fulfillment of its obligation to hand over the goods, if a different order of payment is not specified by the agreement.

Article 569. Mutual fulfillment of obligations to hand over goods under the barter agreement

In the case when, in accordance with the agreement, the terms of transfer of the exchanged goods do not coincide, the rules regarding mutual fulfillment of obligations (Article 328) shall be applied to the fulfillment of the obligation to hand over goods by the party which must hand over goods after goods have been handed over by the other party.

Article 570. Transfer of right of ownership on bartered goods

Unless otherwise specified by law or by the barter agreement, the right of ownership to bartered goods passes to the parties acting under the barter agreement as the buyers, simultaneously after fulfillment of the obligation to hand over the appropriate goods by both parties.

Article 571. Responsibility for confiscation of goods acquired under the barter agreement

The party from whom the goods acquired under the barter agreement have been confiscated by third persons has the right, in the presence of grounds specified by Article 461 of the present Code, to demand from the other party the return of the goods obtained by the latter in exchange, and (or) compensation of losses.

Chapter 32. GIFTS

Article 572. Gift agreement

1. According to the gift agreement, one party (the giver), without compensation, gives or promises to give another party (the recipient) an item for ownership, or a property right (demand) toward itself or toward some third person, or absolves or promises to absolve said party from a property obligation to itself or to a third person.

If there is a reciprocal transfer of an item or right, or a reciprocal obligation, the agreement is not considered to be a gift. The rules of point 2, Article 170 of the present Code are applied to such an agreement.

2. The promise to give to someone without compensation an item or property right, or to excuse someone

from a property obligation (promise of gift) is considered to be a gift agreement and binds the party making the promise, if such agreement is made in the proper form (point 2, Article 574) and contains a clearly expressed intent to perform in the future the uncompensated transfer of the item or right to a specific person or to excuse him from a property obligation.

The promise to gift all of one's property or part of all one's property, without indication of the specific object of the gift in the form of an item, right or excuse from obligation is null and void.

3. An agreement which provides for transfer of a gift to a recipient after the death of the giver is null and void.

The rules of civil legislation on inheritance are applied to this type of gift.

Article 573. Refusal of recipient to accept gift

1. The recipient, any time prior to transfer of the gift to him, has the right to refuse such gift. In this case, the gift agreement is considered dissolved.

2. If the gift agreement is concluded in written form, the refusal of the gift must also be made in written form. In the case when the gift agreement has been registered (point 3, Article 574), refusal to accept the gift is also subject to state registration.

3. If the gift agreement was concluded in written form, the giver has the right to demand from the recipient compensation of the real loss inflicted by refusal to accept the gift.

Article 574. Form of gift agreement

1. Presentation of a gift, accompanied by transfer of the gift to the recipient, may be performed verbally, with the exception of cases specified by points 2 and 3 of the present article.

Transfer of the gift is performed by means of its presentation, symbolic presentation (presentation of keys, etc.), or presentation of documents establishing rights.

2. The personal property gift agreement must be executed in written form in cases when:

—the giver is a legal entity and the value of the gift exceeds five times the minimal amounts of the labor wage established by law;

—the agreement contains the promise of giving a gift in the future.

In cases specified in the present point, a gift agreement made verbally is null and void.

3. A gift agreement on immovable property is subject to state registration.

Article 575. Prohibition of gift

Gifting, with the exception of ordinary gifts whose value does not exceed five times the minimal amounts of the labor wage established by law, is not permitted:

1) in the name of minors and citizens who have been deemed incompetent, by their laegal representatives;

2) to workers of health treatment and educational institutions, institutions of social protection and other analogous institutions by citizens staying in them for treatment, maintenance or upbringing, or by spouses and relatives of these citizens;

3) to state employees and employees of agencies of municipal formations in connection with their official position or in connection with their fulfillment of official duties;

4) in relations between commercial organizations.

Article 576. Limitation of gift

1. A legal entity to whom an item belongs with the right of economic management or operative administration has the right to give it as a gift only with the consent of the owner, unless otherwise specified by law. This limitation does not apply to ordinary gifts of small value.

2. Gift of property which is held in common joint ownership is permitted with the consent of all the participants in the joint ownership, with adherence to the rules specified by Article 253 of the present Code.

3. Gift of the right belonging to the giver to place demands on a third party is performed with adherence to the rules specified in Articles 382-386, 388 and 389 of the present Code.

4. Gift by means of fulfillment of a recipient's obligation to a third party is performed with adherence to the rules specified in point 1, Article 313 of the present Code.

Gift by means of the giver's assumption of the recipient's debt to a third party is performed with adherence to the rules specified in Articles 391 and 392 of the present Code.

5. A power of attorney for presenting a gift by a representative, in which the recipient is not named and the object of the gift not specified, is null and void.

Article 577. Refusal to fulfill gift agreement

1. The giver has the right to refuse fulfillment of an agreement which contains a promise to transfer in the future to the recipient an item or right, or to excuse the recipient from a property obligation, if after conclusion of the agreement the property or family status or state

of health of the giver has changed to such degree that fulfillment of the agreement under the new conditions would lead to a significant decline in his living standard.

2. The giver has the right to refuse fulfillment of an agreement which contains a promise to transfer in the future to the recipient an item or right, or to excuse the recipient from a property liability, on grounds which give him the right to withdraw the gift (point 1, Article 578).

3. Refusal of the giver to fulfill the gift agreement on grounds specified in points 1 and 2 of the present article does not give the recipient the right to demand compensation of losses.

Article 578. Withdrawal of gift

1. The giver has the right to withdraw the gift if the recipient has made an attempt on his life, on the life of one of the members of his family or close relatives, or has intentionally inflicted bodily injury upon the giver.

If the recipient intentionally deprives the giver of his life, the right to demand withdrawal of the gift in court belongs to the heirs of the giver.

2. The giver has the right to demand the repeal of the gift in judicial order, if the recipient's handling of the item gifted to him, which for the giver represents great non-property value, creates the threat of its irretrievable loss.

3. At the demand of an interested party, the court may withdraw a gift made by an individual entrepreneur or legal entity in violation of statutes of the law on insolvency (bankruptcy) at the expense of funds associated with his entrepreneureal activity, within the 6 months preceeding the declaration of bankruptcy of such person.

4. The gift agreement may specify the giver's right to withdraw the gift if he outlives the recipient.

5. In the case of withdrawal of the gift, the recipient must return the item gifted to him, if it still exists at the moment the gift is withdrawn.

Article 579. Cases in which refusal to fulfill the gift agrement and to withdraw the gift are impossible

Rules on refusal to fulfill a gift agreement (Article 577) and on withdrawal of a gift (Article 578) are not applied to ordinary gifts of small value.

Article 580. Consequences of inflicting harm as a result of defects in gifted item

Harm inflicted upon the life, health or property of a citizen who is a gift recipient as a result of defects in the item gifted to him are subject to compensation by the giver in accordance with the rules specified in Chapter 59 of the present Code, if it is proven that these defects arose prior to the transfer of the item to the recipient, that they were not clearly apparent, and that the giver knew of them but did not warn the recipient about them.

Article 581. Legal succession in promising gift

1. The rights of a recipient to whom a gift has been promised under a gift agreement do not pass to his heirs (legal successors), unless otherwise specified in the gift agreement.

2. The obligations of the giver promising to make the gift pass to his heirs (legal successors), unless otherwise specified in the gift agreement.

Article 582. Donations

1. A donation is considered to be the gift of an item or right for generally beneficial purposes.

Donations may be made to citizens, health treatment or educational institutions, institutions of social protection and other analogous institutions, charitable, scientific and educational institutions, funds, museums and other institutions of culture, social and religious organizations, and likewise to the state and other subjects of civil law specified in Article 124 of the present Code.

2. The acceptance of a donation does not require anyone's permission or consent.

3. A donation of property to a citizen must be, and to legal entities may be specified by the donor for use of this property for a designated purpose. In the absence of such condition, the donation of property to a citizen is considered to be an ordinary gift, and in other cases the donated property is used by the recipient in accordance with the designated purpose of the property.

A legal entity which accepts a donation for which a specific purpose has been designated must keep a separate accounting of all operations on the use of the donated property.

4. If the use of the donated property in accordance with the purpose specified by the donor becomes impossible in view of changed circumstances, it may be used for another purpose only with the consent of the donor, and in the case of death of the citizen-donor or liquidation of the legal entity-donor—at the decision of the court.

5. Use of donated property for other than the purpose specified by the donor, or change in this use in violation of the rules specified in point 4 of the present article, gives the donor, his heirs or other legal successor the right to demand withdrawal of the donation.

6. Articles 578 and 581 of the present Code are not applied to donations.

Chapter 33. RENT AND LIFETIME SUPPORT WITH DEPENDENCY

#1. General principles on rent and lifetime support with dependency

Article 583. Rental agreement

1. According to the rental agreement, one party (the recipient of the rent) hands over property for proprietorship to the other (payer of the rent), and the payer of the rent promises, in exchange for the received property, to periodically pay the recipient rent in the form of a specified monetary sum or to provide funds for his support in some other form.

2. The rental agreement may stipulate the obligation to pay rent without term (fixed rent) or for the lifetime of the recipient of the rent (lifetime rent). Lifetime rent may be established on conditions of lifetime support of a citizen with dependency.

Article 584. Form of rental agreement

The rental agreement is subject to notarial certification, and the agreement providing for cession of immovable property for payment of rent is also subject to state registration.

Article 585. Cession of property for payment of rent

1. Property which is ceded for payment of rent may be handed over by the rent recipient for proprietorship by the payer of the rent, for payment or free of charge.

2. In cases when the rental agreement provides for tranfer of the property for payment, the rules on purchase and sale (Chapter 30) are applied to the relations of the parties on transfer and payment, and in cases when such property is handed over without payment—the rules of the gift agreement (Chapter 32) apply, unless otherwise specified by the rules of the present chapter and insofar as this does not contradict the essence of the rental agreement.

Article 586. Encumbering real estate property with rent

1. Rent encumbers the land plot, enterprise, building, structure or other immovable property handed over in return for its payment. In case of cession of such property by the payer of the rent, his obligations under the rental agreement pass to the party acquiring the property.

2. A person who hands over real estate property encumbered with rent to the proprietorship of another person bears subsidiary liability with him (Article 399) for the demands of the rent recipient which have arisen in connection with violation of the rental agreement, if the present Code, other law or contract do not specify joint liability under this obligation.

Article 587. Provision of rent payment

1. Upon transfer of a land plot or other immovable property for payment of rent, the recipient of the rent, to ensure the obligation of the payer of the rent, acquires the right of security deposit on this property.

2. A significant condition of the agreement which provides for handing over a monetary sum or other personal property for payment of rent is the condition which specifies the responsibility of the rent payer to ensure fulfillment of his responsibilities (Article 329) or to insure against risk of non-fulfillment or improper fulfillment of these responsibilities, naming the recipient of the rent as the beneficiary.

3. If the rent payer fails to fulfill the obligations specified in point 2 of the present article, and likewise in case of loss of support or worsening of conditions of support due to circumstances for which the recipient of the rent is not responsible, the recipient of the rent has the right to dissolve the rental agreement and to demand compensation of losses caused by dissolution of the agreement.

Article 588. Liability for overdue payment of rent

For overdue payment of rent, the payer of the rent pays the recipient of the rent interest, as specified in Article 395 of the present Code, if a different interest rate is not specified in the rental agreement.

#2. Fixed rent

Article 589. Recipient of fixed rent

1. Recipients of fixed rent may only be citizens, and likewise non-commercial organizations, if this does not contradict the law and corresponds to the purposes of their activity.

2. The rights of the rent recipient under the agreement of fixed rent may be transferred to persons indicated in point 1 of the present article, by means of cession of demands, and may pass be inheritance or in the order of

legal succession in the re-organization of legal entities, unless otherwise specified by law or by the agreement.

Article 590. Form and amount of fixed rent

1. Fixed rent is paid in money in an amount specified by the agreement.

The fixed rental agreement may provide for payment of rent by means of presentation of items, fulfillment of work or services corresponding in value to the monetary sum of the rent.

2. Unless otherwise specified by the fixed rental agreement, the amount of rent paid is subject to increase in proportion to the increase in the minimal amount of the labor wage established by law.

Article 591. Terms of payment of fixed rent

Unless otherwise specified in the fixed rental agreement, fixed rent is paid at the end of each calendar quarter.

Article 592. Right of the payer to redemption of fixed rent

1. The payer of fixed rent has the right to reject further payment of the rent by means of its redemption.

2. Such refusal is valid under the condition that it is announced in written form by the payer of the rent no later than 3 months prior to cessation of payment of the rent or for a longer time specified by the fixed rental agreement. Moreover, the obligation for payment of rent does not cease upon receipt of the entire sum of redemption by the recipient of the rent, if a different order of redemption is not specified in the agreement.

3. A condition of the fixed rental agreement by which the payer of fixed rent may reject the right to its redemption is null and void.

The agreement may specify that the right to redemption of fixed rent may not be exercised during the lifetime of the recipient of the rent, or within any other period, not to exceed 30 years from the moment of concluding the contract.

Article 593. Redemption of fixed rent at the demand of the rent recipient

The rent recipient has the right to demand redemption of the rent by the payer in cases when:

—the payer of the rent is overdue on its payment by more than one year, unless otherwise specified in the fixed rental agreement;

—the payer of the rent has violated his obligations on provision of the rent payment (Article 587);

—the payer of the rent has been deemed insolvent, or other circumstances have arisen which obviously indicate that the rent will not be paid by him in the amount and within the times specified by the agreement;

—in cases when the real estate property handed over in return for payment of rent has gone into joint ownership or has been divided up among several persons;

—in other cases specified by the agreement.

Article 594. Redemption price of fixed rent

1. The redemption of fixed rent in the cases specified in Articles 592 and 593 of the present Code is performed at the price specified in the fixed rental agreement.

2. In the absence of a condition on the redemption price in the fixed rental agreement under which the property was handed over for payment of fixed rent with remuneration, redemption is performed at the price which corresponds to the annual sum of rent subject to payment.

3. In the absence of a condition on the redemption price in the fixed rental agreement under which the property was handed over for payment of rent without remuneration, the redemption price, along with the annual sum of rent payments, also includes the price of the transferred property, determined according to the rules specified in point 3, Article 424 of the present Code.

Article 595. Risk of accidental loss of property handed over for payment of fixed rent

1. Risk of accidental loss or accidental damage of property handed over free of charge for payment of fixed rent is borne by the payer of the rent.

2. In the case of accidental loss or accidental damage to property handed over for remuneration for payment of fixed rent, the payer has the right to demand appropriate termination of the obligation to pay rent, or change in the conditions of its payment.

#3. Lifetime rent

Article 596. Recipient of lifetime rent

1. Lifetime rent may be established for the lifetime of a citizen who has handed property over for payment of rent, or for the lifetime of another citizen specified by him.

2. It is permitted to establish lifetime rent in favor of several citizens, whose relative shares in the right to receive the rent are considered to be equal, unless otherwise specified in the lifetime rental agreement.

In case of death of one of the rent recipients, his share in the right to receive the rent passes to the rent recipients succeeding him, unless otherwise specified by the lifetime rental agreement, and in the case of death of the last rent recipient, the obligation to pay rent is terminated.

3. The agreement which establishes lifetime rent in favor a citizen who has died by the time the agreement is concluded is null and void.

Article 597. Amount of lifetime rent

1. Lifetime rent is defined in the agreement as a monetary sum periodically paid to the rent recipient during his life.

2. The amount of lifetime rent defined in the agreement, computed per month, must be no less than the minimal amount of the labor wage specified by law, and in the cases specified in Articles 318 of the present Code, is subject to increase.

Article 598. Terms of payment of lifetime rent

Unless otherwise specified in the lifetime rental agreement, lifetime rent is paid at the end of each calendar month.

Article 599. Dissolution of lifetime rental agreement at the demand of the rent recipient

1. In cases of significant violation of the lifetime rental agreement by the payer of the rent, the rent recipient has the right to demand from the payer of the rent a redemption of the rent on the conditions specified in Article 594 of the present Code, or dissolution of the agreement and compensation of losses.

2. If an apartment, residential house or other property is ceded toward payment of lifetime rent without remuneration, in the case of significant violation of the agreement by the rent payer, the rent recipient has the right to demand return of this property to him, with its value being credited toward the redemption price of the rent.

Article 600. Risk of accidental loss of property handed over for payment of lifetime rent

Accidental loss or accidental damage of property handed over for payment of lifetime rent does not absolve the payer of the rent from the obligation of paying it off on the conditions specified in the lifetime rental agreement.

#4. Lifetime support with dependency

Article 601. Agreement of lifetime support with dependency

1. According to the agreement of lifetime support with dependency, the rent recipient who is a citizen hands over the residential house, apartment, land plot or other immovable property belonging to him to the proprietorship of the rent payer, who promises to provide lifetime support with dependency of the citizen and (or) a third person specified by him.

2. The rules on lifetime rent are applied to the agreement of lifetime support with dependency, unless otherwise specified by the rules of the present paragraph.

Article 602. Obligation to provide support with dependency

1. The obligation of the rent payer to provide support with dependency may include the provision of needs for housing, food and clothing, and if the health of the citizen so requires—also for his care. The agreement of lifetime support with dependency may also specify payment for ritual services by the payer of the rent.

2. The agreement of lifetime support with dependency must define the cost of the entire volume of support with dependency. In this case, the overall volume of support per month may not be less than two times the minimal amount of the labor wage specified by law.

3. In resolving a dispute between two parties regarding the volume of support which is being provided or must be provided to a citizen, the court must be guided by the principles of fairness and prudence.

Article 603. Replacement of lifetime support with periodic payments

The agreement on lifetime support with dependency may provide for the possibility of substituting the provision of support with dependency in kind with payment of periodic payments in money during the lifetime of the citizen.

Article 604. Cession and use of property handed over for provision of lifetime support

The payer of rent has the right to cede, mortgage or by some other method encumber the real estate property handed over to him for provision of lifetime support, only with the prior consent of the rent recipient.

The payer of the rent must take the necessary measures to see that, in the period of providing lifetime support with dependency, the use of the said property does not lead to reduction in the value of this property.

Article 605. Termination of lifetime support with dependency

1. The obligation of lifetime support with dependency terminates with the death of the rent recipient.

2. If the rent payer significantly violates his obligations, the rent recipient has the right to demand return of the real estate property handed over in provision of lifetime support, or payment of the redemption price to him on conditions specified in Article 594 of the present Code. In this case, the payer of the rent does not have the right to demand compensation for the expenditures incurred in connection with support of the rent recipient.

Chapter 34. LEASING

#1. General principles on leasing

Article 606. Lease agreement

According to the lease agreement (property lease), the lessor (giver of lease) promises to grant to the leaseholder (tenant) property in exchange for payment, for his temporary possession and use, or for his use.

The fruits, products and income received by the leaseholder as a result of use of the leased property in accordance with the agreement are his property.

Article 607. Objects of leasing

1. Land plots and other isolated natural objects, enterprises and other property complexes, buildings, structures, equipment, transport means and other items which do not lose their natural properties in the process of their use (non-consumable items) may be given for lease.

The law may specify types of property whose leasing is not permitted or limited.

2. The law may provide for specifics of leasing land plots and other isolated natural objects.

3. The leasing agreement must indicate the data which make it possible to precisely define the property subject to transfer to the lessee as the object of leasing. In the absence of these data in the agreement, the condition of the object subject to transfer to leasing is considered to be non-coordinated by the parties, and the said agreement is considered not to have been concluded.

Article 608. Lessor

The right to give property for lease belongs to its owner. Lessors may also be persons who are authorized by law or by the owners to give the property for lease.

Article 609. Form and state registration of lease agreement

1. The lease agreement for a term of more than one year, and if at least one of the parties to the agreement is a legal entity—regardless of the term, must be concluded in written form.

2. The lease agreement for immovable property is subject to state registration, unless othewise specified by law.

3. The property lease agreement which provides for subsequent transfer of the right of ownership of this property to the leaseholder (Article 624) is concluded in the form specified for the contract of purchase and sale of such property.

Article 610. Term of lease agreement

1. The lease agreement is concluded for the term specified in the agreement.

2. If the term of the lease is not specified in the lease agreement, the agreement is considered to be concluded for an indefinite term.

In this case, each of the parties has the right to terminate the agreement at any time upon giving the other party one month's notice, and in the case of leasing of immovable property—3 month's notice. The law or the agreement may specify a different term of notice of termination of the lease agreement concluded for an indefinite term.

3. The law may establish maximal (marginal) terms of the agreement for certain types of leasing, and also for leasing of certain types of property. In these cases, if the term of the lease is not specified in the agreement and neither of the parties terminates the agreement prior to expiration of the maximal term specified by law, the agreement is terminated upon expiration of the maximal term.

The lease agreement, concluded for a term exceeding the maximal term specified by law, is considered to be concluded for a term equal to the maximal term.

Article 611. Granting property to the leaseholder

1. The lessor must grant the leaseholder the property in a condition corresponding to that specified in the agreement and to the intended purpose of the property.

2. Property is given for lease together with all of its appurtenances and related documents (technical passport, certificate of quality, etc.), unless otherwise specified in the agreement.

If such appurtenances and documents have not been handed over and the leaseholder cannot use the property for its intended purpose without them, or if he is significantly deprived of that which he has a right to expect upon conclusion of the agreement, he may demand that the lessor provide such appurtenances and documents, or dissolution of the agreement, and likewise compensation of losses.

3. If the lessor has not handed over to the leaseholder the property which has been given for lease in accordance with the time specified in the agreement, and in the case when such time is not specified in the agreement—within a reasonable time, the leaseholder has the right to demand this property from him in accordance with Article 398 of the present Code and to demand compensation of losses inflicted by the delay in fulfillment, or to demand dissolution of the agreement and compensation of losses inflicted by its non-fulfillment.

Article 612. Lessor's responsibility for defects in leased property

1. The lessor is responsible for defects in the leased property which fully or partially hinder its application, even if he did not know about these shortcomings at the time of concluding the agreement.

Upon discovering such defects, the leaseholder has the right, at his option:

—to demand from the lessor either the uncompensated correction of the defects in the property, or a commensurate reduction in the lease payment, or compensation of his own expenditures for correction of the defects in the property;

—to directly withhold from the lease payment the sum of expenditures incurred by him for correction of said defects, having first notified the lessor of this fact;

—to demand early dissolution of the agreement.

The lessor who has been notified of the leaseholder's demands or of his intent to correct the defects in the property at the lessor's expense, may immediately substitute the property provided to the leaseholder with other analogous property which is in proper condition, or to correct the defects in the property without compensation

If the satisfaction of the leaseholder's demands or withholding of his expenditures for correction of the defects from the lease payment does not cover the losses incurred by the leaseholder, he has the right to demand compensation of the portion of the losses which were not covered.

2. The lessor is not responsible for defects in leased property which were stipulated by him upon concluding the contract or were known to the leaseholder ahead of time or should have been discovered by the leaseholder at the time of inspection of the property or verification of its working order at the time of conclusion of the agreement or transfer of the leased property.

Article 613. Rights of third parties to leased property

The giving of property for lease does not constitute grounds for termination or amendment of the rights of third persons to this property.

Upon concluding the agreement, the lessor must warn the leaseholder about all rights of third parties to the leased property (servitude, right of security deposit, etc.). Failure of the lessor to fulfill this obligation gives the leaseholder the right to demand reduction of the lease payment or dissolution of the agreement and compensation of losses.

Article 614. Lease payment

1. The leaseholder is obligated to make timely payment for use of the property (lease payment).

The procedure, conditions and terms of making the lease payment are defined by the lease agreement. In cases when the agreement does not specify these conditions, it is considered that the procedure, conditions and terms generally applied in leasing of analogous property under comparable circumstances have been established.

2. The lease payment is set for all the leased property as a whole, or separately for each of its component parts in the form of:

1) payments defined in a specified sum, made periodically or at one time;

2) a fixed share of the products, fruits or income received as a result of use of the leased property;

3) provision of specified services by the leaseholder;

4) transfer of an item for ownership or for lease by the leaseholder to the lessor, as specified in the agreement;

5) imposition upon the leaseholder of expenditures for improvement of the leased property, as specified in the agreement.

The parties may specify in the lease agreement a combination of the indicated forms of lease payment, or other forms of lease payment.

3. Unless otherwise specified in the agreement, the amount of the lease payment may vary upon mutual

consent of the parties in the terms specified by the agreement, but no more often than once a year. The law may provide for other minimal terms for review of the amount of the lease payment for certain types of leasing, as well as for leasing certain types of property.

4. Unless otherwise specified by law, the leaseholder has the right to demand appropriate reduction in the lease payment if, by reason of circumstances for which he is not responsible, the conditions of use specified in the lease agreement or the condition of the property have significantly deteriorated.

5. Unless otherwise specified in the lease agreement, in case of significant violation of the terms of lease payment by the leaseholder, the lessor has the right to demand unscheduled lease payment from him, within the time determined by the lessor. Moreover, the lessor does not have the right to demand unscheduled payment of the lease payment for more than two consecutive terms.

Article 615. Use of leased property

1. The leaseholder must use the leased property in accordance with the conditions of the agreement, and if such conditions are not specified in the agreement—in accordance with the intended purpose of the property.

2. The leaseholder has the right, with the consent of the lessor, to give the property for subleasing (sublease) and to hand over his rights and responsibilities under the lease agreement to another party (transfer of lease), to grant the leased property for uncompensated use, and likewise to give his leasing rights for security deposit and to give them as an investment in the statutory capital of economic partnerships and companies or as a share contribution to a production cooperative, unless otherwise specified by the present Code, other law or other legal statutes. In the indicated cases, with the exception of transfer of lease, the leaseholder remains liable to the lessor in accordance with the agreement.

The sublease agreement may not be concluded for a term longer than the term of the lease agreement.

The rules on lease agreements are applicable to sublease agreements, unless otherwise specified by law or by other legal statutes.

3. If the leaseholder uses property not in accordance with the conditions set forth in the lease agreement or not in accordance with the intended purpose of the property, the lessor has the right to demand dissolution of the agreement and compensation of losses.

Article 616. Obligations of the parties for maintenance of leased property

1. The lessor is obligated to perform, at his expense, the capital repair of the leased property, unless otherwise specified by law, other legal statutes, or by the lease agreement.

Capital repair must be performed within the time specified in the agreement, and if it is not specified in the agreement or necessitated by immediate need—within a reasonable time.

The lessor's violation of his obligation to perform capital repairs gives the leaseholder the right, at his discretion:

—to perform the capital repair specified in the agreement or caused by immediate necessity and to collect the cost of the repair from the lessor or credit it toward the lease payment;

—to demand appropriate reduction in the lease payment;

—to demand dissolution of the agreement and compensation of losses.

2. The leaseholder must maintain the property in working order, perform current repairs at his expense and bear expenditures for maintenance of the property, unless otherwise specified by law or by the lease agreement.

Article 617. Retention of effectiveness of lease agreement upon change of parties

1. Transfer of the right of ownership (economic management, operative administration, lifetime inheritable ownership) of leased property to another person does not constitute grounds for amendment or dissolution of the lease agreement.

2. In case of death of the citizen leasing real estate property, his rights and obligations under the lease agreement pass to his heir, if the law or the agreement do not specify otherwise.

The lessor does not have the right to refuse such heir to enter into the agreement for its remaining term, with the exception of cases when conclusion of the agreement was stipulated by the personal qualities of the leaseholder.

Article 618. Termination of sublease agreement upon early termination of lease agreement

1. Unless otherwise specified by the lease agreement, early termination of the lease agreement entails termination of the sublease agreement concluded in accordance

with it. In this case, the sublessee has the right to conclude with him a lease agreement for the property held in his use in accordance with the sublease agreement, within the limits of the remaining term of the sublease on conditions corresponding to the conditions of the terminated lease agreement.

2. If the lease agreement is invalid on the grounds specified in the present Code, the sublease agreements concluded in accordance with it are also invalid.

Article 619. Early dissolution of agreement at the demand of the lessor

At the demand of the lessor, the lease agreement may be dissolved ahead of schedule by the court in the following cases, when the leaseholder:

1) uses the property with significant violation of the conditions of the agreement or the intended purpose of the property, or with repeated violations;

2) allows significant deterioration the property;

3) does not make the lease payment more than two consecutive times upon expiration of the term of payment specified in the contract;

4) does not perform capital repair of property within the terms specified in the lease agreement, and if such terms are absent from the agreement—within reasonable times, in those cases when, in accordance with the laws, other legal statutes or with the agreement, the performance of capital repairs is the leaseholder's responsibility.

The lease agreement may also specify other grounds for early dissolution of the agreement at the demand of the lessor, in accordance with point 2, Article 450 of the present Code.

The lessor has the right to demand early dissolution of the agreement only after forwarding to the leaseholder a written warning of the need for him to fulfill his obligations within reasonable time.

Article 620. Early dissolution of agreement at the demand of the leaseholder

At the demand of the leaseholder, the lease agreement may be dissolved ahead of schedule by the court in the following cases, when:

1) the lessor does not grant the property for use to the leaseholder or creates obstacles to the use of the property in accordance with the conditions of the agreement or in accordance with the intended purpose of the property;

2) the property handed over to the leaseholder has defects which hinder its use, and which were not stipulated by the lessor at the time of concluding the agreement, were not previously known to the leaseholder, and should not have been discovered by the leaseholder at the time of inspection of the property or verification of its working order at the time of conclusion of the agreement;

3) the lessor does not perform capital repair of the property for which he is responsible within the times specified in the lease agreement, and in the absence of such terms in the agreement—within reasonable times.

4) the property, due to circumstances for which the leaseholder is not responsible, turns out to be in a condition which is not suitable for use.

The lease agreement may also specify other grounds for early dissolution of the agreement at the demand of the leaseholder, in accordance with point 2, Article 450 of the present Code.

Article 621. Priority right of leaseholder to conclude agreement for new term

1. Unless otherwise specified by law or by the lease agreement, the leaseholder who has properly fulfilled his obligations, upon expiration of the term of the agreement and with all other conditions being equal, has priority right before other persons to conclude a lease agreement for a new term. The leaseholder must give written notification to the lessor of his desire to conclude such agreement within the time specified in the lease agreement, and if the lease agreement does not specify such time, within a reasonable time prior to the expiration of the agreement.

Upon conclusion of a lease agreement for a new term, the conditions of the agreement may be amended by mutual consent of the parties.

If the lessor has refused to allow the leaseholder to conclude the agreement for a new term, but within a year from the day of expiration of the term of the agreement with him has concluded a lease agreement with another party, the leaseholder has the right, at his discretion, to demand in court that the rights and obligations under the concluded agreement be transferred to him, and that he be compensated for the losses inflicted by refusal to renew the lease agreement with him, or only that he be compensated for such losses.

2. If the leaseholder continues to use the property after expiration of the term of the agreement, in the absence of objections on the part of the lessor, the agreement is considered renewed on the same conditions and for an indefinite term (Article 610).

Article 622. Return of leased property to the lessor

Upon termination of the lease agreement, the leaseholder must return the property to the lessor in the same condition in which he received it, with consideration for normal wear, or else in the condition specified in the agreement.

If the leaseholder has not returned the leased property or has returned it in an untimely manner, the lessor has the right to demand lease payment for the entire overdue time. If the indicated payment does not cover the losses incurred by the lessor, he may demand their compensation.

If the agreement specifies a forfeiture for untimely return of the leased property, the losses may be collected in full sum in excess of the forfeiture, unless otherwise specified in the agreement.

Article 623. Improvement of leased property

1. Improvements of leased property which may be separated from said property and which are performed by the leaseholder are his property, unless otherwise specified by the lease agreement.

2. If the leaseholder has performed improvements in the leased property at his own expense and with the consent of the lessor, and these improvements are inseparable without harm to the property, the leaseholder has the right to compensation of the cost of these improvements upon termination of the agreement, unless otherwise specified in the agreement.

3. The value of inseparable improvements in leased property performed by the leaseholder without the consent of the lessor is not subject to compensation, unless otherwise specified by law.

4. Improvements in leased property, separable as well as inseparable, performed at the expense of amortization deductions from this property, are the property of the lessor.

Article 624. Redemption of leased property

1. The law or the lease agreement may specify that leased property passes to the ownership of the leaseholder upon expiration of the term of the lease or prior to its expiration under the condition that the leaseholder pay the entire purchase (redemption) price specified in the agreement.

2. If the condition on redemption of leased property is not specified in the agreement, it may established by supplemental agreement of the parties, which at the same time have the right to agree on crediting previously paid lease payments toward the purchase (redemption) price.

3. The law may specify cases in which redemption of leased property is prohibited.

Article 625. Specifics of various types of leasing and leasing of various types of property

The principles specified in the present paragraph are applicable to various types of lease agreements and lease agreements on various types of property (hire, lease of transport means, lease of buildings and structures, lease of enterprises, financial leasing), unless otherwise specified by the rules in the present Code regarding these agreements.

#2. Hire

Article 626. Hiring agreement

1. According to the hiring agreement, the lessor performing leasing of the property as an ongoing entrepreneurial activity promises to provide to the leaseholder movable property in return for payment, for temporary possession and use.

Property granted under the hiring agreement is used for consumer purposes, unless otherwise specified in the agreement or results from the essence of the obligation.

2. The hiring agreement is concluded in written form.

3. The hiring agreement is public a public agreement (Article 426).

Article 627. Term of hiring agreement

1. The hiring agreement is concluded for a term of up to one year.

2. The rules on renewing a lease agreement for an indefinite term and on priority right of the leaseholder to renew the lease agreement (Article 621) do not apply to the hiring agreement.

3. The leaseholder has the right to reject the hiring agreement at any time, upon having given at least 10 days written notice of his intent to the lessor.

Article 628. Granting property to the leaseholder

The lessor who concludes a hiring agreement is obligated to verify the working order of the leased property in the presence of the leaseholder, and also to familiarize the leaseholder with the rules of use of the property or to give him written instructions on the use of said property.

Article 629. Correction of defects in leased property

1. If the leaseholder discovers defects in the leased property, which fully or partially hinder its application, the lessor is obligated, within a 10-day period from the day of receiving the leaseholder's notification of the defects, if a shorter term is not specified in the hiring agreement, to correct the defects in the property on site and without compensation, or to replace the said property with other analogous property which is in the proper condition.

2. If the defects in the leased property were the consequence of the leaseholder's violation of the rules of operation and maintenance of the property, the leaseholder pays the lessor the cost of the repairs and transporting of the property.

Article 630. Lease payment under hiring agreement

1. The lease payment under the hiring agreement is established in the form of payments defined in a fixed sum, payable periodically or at one time.

2. If the leaseholder returns the property ahead of schedule, the lessor refunds to him the appropriate part of the received lease payment, computing it from the day following the day of actual return of the property.

3. Collection of indebtedness on lease payment from the leaseholder is performed in undisputed order on the basis of the executive signature of a notary.

Article 631. Use of leased property

1. Capital and routine repairs of property given for lease under the hiring agreement are the responsibility of the lessor.

2. Subleasing of property granted to the leaseholder under a hiring agreement, transfer of his rights and obligations under the hiring agreement to some other person, granting this property for uncompensated use, security deposit of the leasing rights and their introduction as a property contribution into an economic partnership or company, or share contribution into production cooperatives, are prohibited.

#3. Leasing of transport means

1. Leasing of transport means with provision of services on management and technical operation

Article 632. Agreement on lease of transport means with crew

According to the agreement on lease of transport means with crew (term charter), the lessor grants the leaseholder the transport means in return for payment, for temporary possession and use, and performs through his own efforts the services on its management and technical operation.

The rules on renewal of a lease agreement for indefinite term and on priority right of the leaseholder to renew the lease agreement (Article 621) do not apply to the agreement on lease of transport means with crew.

Article 633. Form of agreement on lease of transport means with crew

The agreement on lease of transport means with crew must be concluded in written form, regardless of its term. The rules on registration of lease agreements specified in point 2, Article 609 of the present Code do not apply to such agreement.

Article 634. Obligations of the lessor to maintain transport means

For the entire duration of the agreement on lease of transport means with crew, the lessor is obligated to maintain the leased transport means in proper condition, including performance of routine and major repairs and provision of necessary appurtenances.

Article 635. Obligations of the lessor on management and technical operation of transport means

1. The services provided to the leaseholder by the lessor on management and technical operation of the transport means must ensure their normal and safe operation in accordance with the purposes of the lease, as specified in the agreement. The agreement on lease of transport means with crew may specify a broader circle of services to be provided to the leaseholder.

2. The complement of the crew of a transport means and its qualifications must meet the rules and conditions of the agreement which are mandatory for the parties, and if such requirements are not specified by rules which are mandatory for the parties—by the requirements of general practice of operation of transport means of the given type, and by the conditions of the agreement.

The crew members are workers employed by the lessor. They are subordinate to the lessor's instructions relating to the management and technical operation, and to the instructions of the leaseholder regarding the commercial operation of the means of transport. If the lease ageement does not specify otherwise, the expenditures on payment for services of the crew members, as well as the expenditures for their support, are borne by the lessor.

Article 636. Obligation of the leaseholder to pay expenses associated with commercial application of transport means

Unless otherwise specified by the agreement on lease of transport means with crew, the leaseholder bears responsibility for expenditures arising in connection with the commercial operation of the transport means, including expenditures on payment for fuel and other materials used in the process of operation, and expenses for payment of fees.

Article 637. Insurance of transport means

Unless otherwise specified by the agreement on lease of transport means with crew, the obligation to insure the transport means and (or) to insure against liability for loss which may be inflicted by it or in connection with its operation, is placed upon the lessor in those cases when such insurance is mandatory under the law or by agreement.

Article 638. Agreements with third parties on use of transport means

1. If the agreement on lease of transport means with crew does not specify otherwise, the leaseholder has the right to sublease the transport means without the consent of the lessor.

2. The leaseholder, within the scope of implementation of commercial operation of the leased transport means, has the right, without the consent of the lessor, to conclude in his name shipping contracts with third parties, or other agreements, provided they do not contradict the purposes of application of the transport means specified in the lease agreement, or if such purposes are not specified—by the intended purpose of the transport means.

Article 639. Liability for damages inflicted upon transport means

In the case of loss or damage of the leased transport means, the leaseholder is obligated to compensate the lessor for the inflicted losses, if the latter proves that the loss or damage of the transport means occurred under circumstances for which the leaseholder was answerable in accordance with the law or with the agreement.

Article 640. Liability for harm inflicted by transport means

Liability for the harm inflicted upon third parties by a leased transport means, its mechanisms, devices, or equipment, is borne by the lessor in accordance with the rules specified in Chapter 59 of the present Code. He has the right to submit to the leaseholder a retroactive demand on compensation of sums paid out to third parties, if he proves that the harm occurred at the fault of the leaseholder.

Article 641. Specifics of leasing certain types of transport means

The transport charters and codes may make provision for other specifics of leasing certain types of transport means with provision of services on management and technical operation, in addition to those specified in the present paragraph.

2. Lease of transport means without provision of services on management and technical operation

Article 642. Agreement on lease of transport means without crew

According to the agreement on lease of transport means without a crew, the lessor gives the leaseholder transport means in return for payment for temporary possession and use and without provision of services on their management and technical operation.

The rules on renewing the lease agreement for an indefinite term and on priority right of the leaseholder to conclude the lease agreement for a new term (Article 621) do not apply to the agreement on lease of transport means without crew.

Article 643. Form of agreement on lease of transport means without crew

The agreement on lease of transport means without crew must be concluded in written form, regardless of its term. The rules on registration of lease agreements specified in point two, Article 609 of the present Code do not apply to such agreement.

Article 644. Obligation of leaseholder on maintenance of transport means

For the entire duration of the agreement on lease of transport means without crew, the leaseholder is obligated to maintain the leased transport means in proper condition, including performance of routine and capital repairs.

Article 645. Obligation of leaseholder on management of transport means and on its technical operation

The leaseholder, through his own efforts, performs management of the leased transport means and its operation, commercial as well as technical.

Article 646. Obligation of leaseholder to pay expenses for maintenance of transport means

Unless otherwise specified in the agreement on lease of transport means without crew, the leaseholder bears expenditures for maintenance of the leased transport means, its insurance, including insurance of his own liability, and likewise the expenditures arising in connection with its operation.

Article 647. Agreements with third parties on the use of transport means

1. Unless otherwise specified by the agreement on lease of transport means without crew, the leaseholder has the right, without consent of the lessor, to sublease the leased transport means on the conditions of the agreement on lease of transport means with or without a crew.

2. The leaseholder has the right, without consent of the lessor, to conclude in his name, shipping agreements with third parties, as well as other agreements, so long as they do not contradict the purposes of use of the transport means specified in the lease agreement, and if such purposes are not specified—the designated purpose of the means of transport.

Article 648. Liability for harm inflicted by transport means

Liability for harm inflicted upon third persons by transport means, their mechanisms, devices, equipment, etc. is borne by the leaseholder in accordance with the rules in Chapter 59 of the present Code.

Article 649. Specifics of leasing certain types of transport means

Transport charters and codes may specify other peculiarities of leasing certain types of transport means without presentation of services on management and technical operation, in addition to those which are specified in the present paragraph.

#4. Lease of buildings and structures

Article 650. Agreement on lease of building or structure

1. According to the agreement on lease of building or structure, the lessor promises to hand over a building or structure for temporary proprietorship and use, or for temporary use, to the leaseholder.

2. The rules of the present paragraph are applied to leasing of enterprises, unless otherwise specified by the rules of the present code regarding leasing of enterprises.

Article 651. Form and state registration of agreement on lease of building or structure

1. The agreement on lease of building or structure is concluded in written form by means of compilation of a single document, signed by the parties (point 2, Article 434).

Failure to adhere to the form of the agreement on lease of building or structure entails its invalidity.

2. An agreement on lease of building or structure concluded for a term of no less than one year is subject to state registration and is considered concluded from the moment of such registration.

Article 652. Rights to land plot in lease of buildings and structures located on it

1. According to the agreement on lease of building or structure, the lessor, simultaneously with transfer of the rights of proprietorship and use of such immovable property, also transfers the right to that part of the land plot which is occupied by this immovable property and is necessary for its use.

2. In cases when the lessor is the owner of the land plot on which the leased building or structure is located, the leaseholder is granted the right of lease or another right specified in the agreement on lease of building or structure in regard to the appropriate part of the land plot.

If the agreement does not specify that the right to the appropriate land plot shall be transferred to the leaseholder, the right of use of that portion of the land plot which is occupied by the building or structure and is necessary for its use in accordance with its intended purposes passes to the leaseholder for the term of lease of the building or structure.

3. Lease of a building or structure located on a land plot which does not belong to the lessor with the right of ownership is permitted without the consent of the owner of this plot, if this does not contradict the conditions of use of such plot specified by law or by agreement with the owner of the land plot.

Article 653. Retention of right to use land plot by leaseholder of building or structure in case of its sale

In cases when the land plot on which the leased building or structure is located is sold to another person, the leaseholder of this building or structure retains the right to use the part of the land plot which is occupied by the building or structure and necessary for its use, on conditions which were in effect prior to the sale of the land plot.

Article 654. Amount of lease payment

1. The agreement on lease of building or structure must specify the amount of the lease payment. In the absence of a condition on amount of lease payment, agreed upon by the parties in written form, the agreement on lease of the building or structure is considered not to have been concluded. In this case, the rules of determining price, specified in point 3, Article 424 of the present Code, do not apply.

2. The payment for use of the building or structure specified in the agreement on lease of building or structure includes the payment for use of the land plot on which it is located, or the appropriate part of the section handed over together with it, unless otherwise specified by law or by the agreement.

3. In cases when the payment for lease of the building or structure is specified in the agreement per unit area of the building (structure), or other indicator of its size, the lease payment is determined based on the actual dimensions of the building or structure handed over to the leaseholder.

Article 655. Transfer of building or structure

1. Transfer of the building or structure by the lessor and its acceptance by the leaseholder is performed in accordance with the writ of transfer or other document of transfer, signed by the parties.

Unless otherwise specified by law or by the agreement on lease of building or structure, the obligation of the lessor to hand over the building or structure to the leaseholder is considered fulfilled after it is granted to the leaseholder for proprietorship or use, and after the parties have signed the appropriate document of transfer.

Evasion by one of the parties from signing the document of transfer of the building or structure on conditions specified in the agreement is viewed as refusal of the said lessor to fulfill his obligation to transfer the property, and of the leaseholder to accept the property.

2. Upon termination of the agreement on lease of building or structure, the leased building or structure must be returned to the lessor with adherence to the rules specified in point 1 of the present article.

#5. Lease of enterprise

Article 656. Agreement on lease of enterprise

1. According to the agreement on lease of an enterprise on the whole as a property complex used for performance of entrepreneurial activity, the lessor promises to provide to the leaseholder, for his temporary possession and use in return for payment, land plots, buildings, structures, equipment and other basic means included in the complement of the enterprise; to hand over in accordance with the procedure, on the conditions and within the limits specified by the agreement the reserves of raw materials, fuel, materiel and other working capital; the rights of use to land, water and other natural resources, buildings, structures and equipment, and other property rights of the lessor associated with the enterprise; the rights to designation individualizing the activity of the enterprise and other exclusive rights, and likewise to cede to him the rights of demand and to transfer to him all the debts relating to the enterprise. Transfer of the right of proprietorship and use of property held in the ownership of other persons, including land and other natural resources, is performed in accordance with the procedure specified by law and by other legal statutes.

2. The rights of the lessor obtained by him on the basis of a special permit (license) for engaging in the appropriate activity are not subject to transfer to the leaseholder, unless otherwise specified by law or other legal statutes. Inclusion of obligations in the complement of the enterprise which is handed over by agreement, if the fulfillment of such obligations by the leaseholder is impossible in the absence of such special permit (license), does not absolve the leaseholder of the appropriate obligations to creditors.

Article 657. Rights of creditors in leasing of enterprise

1. Prior to handing the enterprise over for lease to the leaseholder, the lessor must give written notification of this fact to all creditors under obligations included in the complement of the enterprise.

2. A creditor who has not notified the lessor in writing of his consent to transfer of the debt has the right, within 3 months from the day of receipt of notification that the enterprise has been given for lease, demand termination or early fulfillment of the obligation and compensation of the losses inflicted by this.

3. A creditor who has not been notified that the enterprise has been given for lease, in accordance with the procedure specified in point 1 of the present article, may file a claim on satisfaction of demands specified in point 2 of the present article within a period of one year from the day when he learned or should have learned of the lease of the enterprise.

4. After an enterprise has been given for lease, the lessor and the leaseholder bear joint responsibility on the debts included in the complement of the leased enterprise, which were transferred to the leaseholder without the consent of the creditor.

Article 658. Form and state registration of agreement on lease of enterprise

1. The agreement on lease of enterprise is concluded in written form by means of compilation of a single document, signed by the parties (point 2, Article 434).

2. The agreement for lease of enterprise is subject to state registration and is considered concluded from the moment of such registration.

3. Failure to adhere to the form of the agreement for lease of enterprise entails its invalidity.

Article 659. Transfer of leased enterprise

Transfer of the enterprise to the leaseholder is performed in accordance with the statute of transfer.

Preparation of the enterprise for transfer, including compilation and presentation for signature of the statute of transfer, is the responsibility of the lessor, and is performed at his expense, unless otherwise specified by the agreement.

Article 660. Use of property of leased enterprise

Unless otherwise specified in the agreement, the leaseholder has the right, without consent of the lessor, to sell, exchange, grant for temporary use or borrowing the material goods included in the property complement of the leased enterprise; to sublet them and hand over his rights and responsibilities under the lease agreement in regard to such valuables to another party, under the condition that this does not entail decline in the value of the enterprise and does not violate other principles of the lease agreement. The indicated order is not applied in regard to land and other natural resources, and likewise in other cases specified by law.

Unless otherwise specified by the agreement on lease of enterprise, the leaseholder has the right, without consent of the lessor, to introduce changes into the complement of the leased property complex, and to perform its reconstruction, expansion, or technical retooling which would increase its value.

Article 661. Obligations of the leaseholder on maintenance of enterprise and payment of expenditures for its operation

1. The leaseholder of the enterprise must, for the duration of the entire term of effectiveness of the agreement on lease of enterprise, maintain the enterprise in proper technical condition, including performance of its routine and capital repairs.

2. The leaseholder is responsible for expenditures associated with the operation of the leased enterprise, unless otherwise specified by the agreement, and likewise for making the payments on insurance of the leased property.

Article 662. Introduction of improvements into leased enterprise by the leaseholder

The leaseholder of an enterprise has the right to compensation of his cost for inseparable improvements in the leased property, regardless of whether permission for such improvements was obtained from the lessor, unless otherwise specified by the agreement on lease of enterprise.

The lessor may be absolved by the court from the obligation of compensating the leaseholder for the cost of such improvements, if he proves that the leaseholder's outlays for these improvements increase the value of the leased property incommensurately with the improvement of its quality and (or) operational properties, or if the principles of conscientiousness and prudence were violated in implementing such improvements.

Article 663. Application of rules on consequences of invalidity of deals and dissolution and amendment of contracts to the agreement on lease of enterprise

The rules of the present code on the consequences of invalidity of deals, on amendment and on dissolution of the agreement, which provide for refund or payment in kind of what has been received under the agreement from one or both parties, are applicable to the agreement on leasing of enterprises, if such consequences do not significantly violate the rights and lawfully protected interests of creditors of the lessor and the leaseholders, or other persons, and do not contradict public interests.

Article 664. Return of leased enterprise

Upon termination of the agreement on lease of enterprise, the leased property complex must be returned to the lessor with adherence to the rules specified in Articles 656, 657 and 659 of the present Code. Preparation of the enterprise for transfer to the lessor, including compilation of the deed of transfer and its presentation for signature, is in this case the responsibility of the leaseholder and is performed at his expense, unless otherwise specified by the agreement.

#6. Financial leasing

Article 665. Financial leasing agreement

According to the financial leasing agreement (lease agreement), the lessor promises to acquire in his ownership the property specified by the leaseholder from a dealer specified by him, and to present this property to the leaseholder, in return for payment, for temporary possession and use for entrepreneurial purposes. In this case, the lessor bears no responsibility for the selection of the object of leasing or the dealer.

The financial leasing agreement may specify that the selection of the dealer and the acquired property shall be performed by the lessor.

Article 666. Object of agreement of financial leasing

The object of the financial leasing agreement may be any non-consumable items used for entrepreneureal activity, except land plots and other natural objects.

Article 667. Notification of seller regarding leasing of property

The lessor, in acquiring the property for the leaseholder, must notify the seller of the fact that the property is intended for being handed over for lease to the specific person.

Article 668. Transfer of object of the financial leasing agreement to the leaseholder

1. Unless otherwise specified by the financial leasing agreement, the property which is the object of this agreement is handed over by the seller directly to the leaseholder at the place of location of the latter.

2. In the case when the property which is the object of the financial leasing agreement is not handed over to the leaseholder at the time specified in this agreement, and if such time is not specified in the agreement—within a reasonable time, the leaseholder has the right—if the delay is caused due to circumstances for which the lessor is responsible, to demand dissolution of the agreement and compensation of the losses.

Article 669. Transfer of risk of accidental loss or accidental destruction of property to leaseholder

The risk of accidental loss or accidental destruction of the leased property passes to the leaseholder at the moment the leased property is handed over to him, unless otherwise specified by the financial leasing agreement.

Article 670. Liability of seller

1. The leaseholder has the right to submit directly to the seller of the property which is the object of the financial leasing agreement any demands stemming from the contract of purchase and sale concluded between the seller and the lessor, specifically in regard to quality and complement assortment of the property, the terms of its delivery, and in other cases of improper fulfillment of the agreement by the seller. In this case, the leaseholder has the rights and bears the responsibilities specified in the present Code for a buyer, except the obligation to pay for the acquired property, as if he were a party to the contract of purchase and sale of the said property. However, the leaseholder may not dissolve the contract of purchase and sale with the seller without the consent of the lessor.

In relations with the seller, the lessor and leaseholder act as joint creditors (Article 326).

2. Unless otherwise specified by the financial leasing agreement, the lessor is not answerable to the leaseholder for the seller's fulfillment of demands stemming from the contract of purchase and sale, except for cases when the responsibility for the choice of the seller lies with the lessor. In the latter case, the leaseholder has the right, at his discretion, to submit demands stemming from the contract of purchase and sale, directly to the seller of the property as well as to the lessor, who bear joint responsibility.

Chapter 35. RENTAL OF RESIDENTIAL HOUSING

Article 671. Agreement on rental of residential housing

1. According to the agreement on rental of residential housing, one party—the owner of the residential housing or person authorized by him (landlord)—promises to grant the other party (tenant) the residential housing, in return for payment for proprietorship and use, and for the purpose of residence.

2. Residential housing may be granted to legal entities for proprietorship and (or) use on the basis of a lease agreement or some other agreement. The legal entity may utilize the residential housing only for housing citizens.

Article 672. Agreement on rental of residential housing in a state and municipal social housing fund

1. In a state and municipal social housing fund, residential housing is granted to citizens under the agreement on social rental of residential housing.

2. Family members living with the tenant under the agreement on social rental of residential housing exercise all the rights and bear all the responsibilities under the agreement on rental of residential housing, on par with the tenant.

At the demand of the tenant and members of his family, the agreement may be concluded with one of the members of the family. In case of the tenant's death or departure from the residential housing, the agreement is concluded with one of the members of his family living in the residential housing.

3. The agreement on social rental of residential housing is concluded on the grounds, conditions and in accordance with the procedure specified by the housing legislation. The rules of Articles 674, 675, 678, 680 and 681, and points 1-3 of Article 685 of the present Code are applied to such agreement. Other statutes of the present Code are applied to the agreement on social rental of residential housing, unless otherwise specified by the housing legislation.

Article 673. Object of agreement on rental of residential housing

1. The object of the agreement on rental of residential housing may be isolated living accommodations suitable for permanent residence (apartment, residential house, part of an apartment or residential house).

The suitability of the residential housing for occupancy is determined in accordance with the procedure specified by the housing legislation.

2. The tenant of residential housing in a multi-apartment building, along with use of the living accommodations, also has the right to use the property specified in Article 290 of the present Code.

Article 674. Form of agreement on rental of residential housing

The agreement on rental of residential housing is concluded in written form.

Article 675. Retention of the agreement on rental of residential housing upon transfer of the right of ownership of the residential housing

Transfer of the right of ownership of residential housing occupied under the rental agreement does not entail dissolution or amendment of the said agreement. At the same time, the new owner becomes the landlord on conditions of the previously concluded rental agreement.

Article 676. Obligations of landlord of residential housing

1. The landlord must hand over to the tenant vacant residential housing in a condition suitable for occupancy.

2. The landlord is obligated to ensure normal operation of the residential building in which the living accommodations given for rent are located; to provide or ensure provision to the tenant, for payment, of the necessary municipal services; to ensure the performance of routine repair of the common property in a multi-apartment building and devices for provision of municipal services located in the residential housing.

Article 677. Tenant and citizens permanently residing with him

1. The tenant under the agreement on rental of residential housing may only be a citizen.

2. The agreement must specify the citizens permanently residing in the residential housing together with the tenant. In the absence of such indications in the agreement, tenancy of these citizens is performed in accordance with the rules in Article 679 of the present Code.

Citizens permanently residing together with the tenant have equal rights with him in use of the residential housing. Relations between the tenant and such citizens are defined by law.

3. The tenant bears responsibility to the landlord for the actions of citizens permanently residing with him who violate the conditions of the agreement on rental of residential housing.

4. Citizens permanently residing with the tenant may, upon notifying the landlord, conclude an agreement with the tenant stating that all the citizens permanently residing in the residential housing bear joint solidary responsibility with the tenant to the landlord. In this case, such citizens are co-tenants.

Article 678. Obligations of tenant of residential housing

The tenant is obligated to use the residential housing only for its intended purpose, and to ensure the safekeeping of the housing accommodations, and to maintain them in proper condition.

The tenant does not have the right to perform remodelling and reconstruction of the residential housing without consent of the landlord.

The tenant is obligated to make timely payment for the residential housing. If the agreement does not specify otherwise, the tenant is obligated to independently make payments for municipal services.

Article 679. Tenancy of citizens permanently residing with tenant

With the consent of the landlord, tenant and citizens permanently residing with him, other citizens may move into the residential housing to reside permanently with the tenant. Such consent is not required for tenancy of minor children.

Tenancy is allowed under the condition of adherence to requirements of the legislation on the standard living area per person, except for the case of tenancy of minor children.

Article 680. Temporary lodgers

The tenant and citizens permanently residing with him, by mutual consent and with preliminary notification of the landlord, have the right to allow uncompensated residence in the residential housing to temporary lodgers (users). The landlord may prohibit the residence of temporary lodgers under the condition of non-adherence to the requirements of the legislation on the standard living area per person. The term of residence of temporary lodgers may not exceed 6 months.

Temporary lodgers do not have independent right to use the residential housing. The tenant bears responsibility for their actions to the landlord.

Temporary lodgers are obligated to vacate the residential housing upon expiration of the term of stay agreed upon with them, and if this term has not been agreed upon, no later than 7 days from the day of presentation of appropriate demand by the tenant or any citizen permanently residing with him.

Article 681. Repair of residential housing given for rent

1. Routine repair of rented residential housing is the responsibility of the tenant, unless otherwise specified by the agreement on rental of residential housing.

2. Capital repair of rented residential house is the responsibility of the landlord, unless otherwise specified by the agreement on rental of residential housing.

3. Remodelling of a residential house in which rented living accommodations are located, if such remodelling significantly alters the conditions of use of the residential housing, is not permitted without the consent of the landlord.

Article 682. Payment for residential housing

1. The amount of payment for residential housing is determined by mutual consent of the parties in the agreement on rental of residential housing. In the case when, in accordance with the law, a maximal amount of payment for residential housing is established, the payment specified in the agreement may not exceed this amount.

2. Unilateral change in the amount of payment for residential housing is not permitted, with the exception of cases specified by law or by the agreement.

3. Payment for residential housing must be made by the tenant in the times specified in the agreement on rental of residential housing. If the agreement does not specify these terms, payment must be made by the tenant on a monthly basis in accordance with the procedure specified by the Housing Code of the Russian Federation.

Article 683. Term in agreement on rental of residential housing

1. The agreement on rental of residential housing is concluded for a term not to exceed 5 years. If the term is not specified in the agreement, the agreement is considered to be concluded for a period of 5 years.

2. The rules specified in point 2, Article 677; Articles 680, 684-686; paragraph four, point 2, Article 677 of the present Code do not apply to the agreement on rental of residential housing concluded for a term of up to 1 year (short-term rental), unless otherwise specified by the agreement.

Article 684. Priority right of tenant to conclude agreement for new term

Upon expiration of the term of the agreement on rental of residential housing, the tenant has priority right to conclude an agreement on rental of residential housing for a new term.

No later than 3 months prior to expiration of the term of the agreement on rental of residential housing, the landlord must offer the tenant the opportunity to conclude the agreement on the same or different conditions, or warn the tenant of refusal to prolong the agreement in connection with his decision not to rent the residential housing for a period of no less than one year. If the landlord has not fulfilled this obligation, and the tenant has not refused to extend the agreement, the agreement is considered extended on the same conditions and for the same term.

In coordinating the conditions of the agreement, the tenant does not have the right to demand increase in the number of persons permanently residing with him under the agreement on rental of residential housing.

If the landlord refuses to extend the agreement in connection with his decision not to rent the accommodations, but within a year from the day of expiration of the term of the agreement with the tenant he concludes an agreement of rental of residential housing with another individual, the tenant has the right to demand that such an agreement be deemed invalid and (or) compensation of the losses inflicted by refusal to renew the agreement with him.

Article 685. Sublet of residential housing

1. In accordance with the agreement on sublet of residential housing, the tenant, with the consent of the landlord, hands over for a time part or all of the residential housing rented by him, for use by the subletter. The subletter does not acquire independent right of use of the residential housing. The tenant remains responsible to the landlord under the agreement on rental of residential housing.

2. The agreement on sublet of residential housing may be concluded under the condition of adherance to the requirements of the legislation on the standard living area per person.

3. The agreement on sublet of residential housing is compensatory.

4. The term of the agreement on sublet of residential housing may not exceed the term of the agreement on rental of residential housing.

5. In the case of early termination of the agreement on rental of residential housing, the agreement on sublet of residential housing is terminated simultaneously with it.

6. The rules on priority right to conclude an agreement for a new term do not apply to the agreement on sublet of residential housing.

Article 686. Replacement of tenant in the agreement on rental of residential housing

1. At the request of the tenant and other citizens permanently residing with him, and with the consent of the landlord, the tenant in the agreement on rental of residential housing may be replaced by one of the adult citizens permanently residing with the tenant.

2. In case of death of the tenant or his departure from the residential housing, the agreement remains in effect on the same conditions, and one of the citizens permanently residing with the former tenant becomes the tenant, by general agreement between them. If such agreement is not reached, all the citizens permanently living in the residential housing become co-tenants.

Article 687. Dissolution of agreement on rental of residential housing

1. The tenant of residential housing has the right, with consent of the other citizens permanently living with him, to dissolve the rental agreement at any time, upon giving the landlord 3 month's written notice.

2. The agreement on rental of residential housing may be dissolved in judicial order at the demand of the landlord in the following cases:

—tenant's failure to pay for the housing accommodations for a period of 6 months, if the agreement does not specify a longer term, and with a short-term rental—in the case of non-payment for more than two times upon expiration of the term of payment specified in the agreement;

—destruction or damage to the residential housing by the tenant or other citizens for whose actions he is responsible;

At the decision of the court, the tenant may be granted a time of no longer than one year to correct the violations which have served as grounds for dissolution of the agreement on rental of residential housing. If the tenant does not correct the allowed violations within the time specified by the court or does not take all necessary measures for their correction, the court, at the repeat request of the landlord, adopts the decision on dissolution of the agreement on rental of residential housing. In this case, at the request of the tenant the court, in its decision on dissolution of the agreement, may postpone fulfillment of the decision for a term of no more than one year.

3. The agreement on rental of residential housing may be dissolved in judicial order at the request of either of the parties to the agreement:

—if the housing is no longer suitable for permanent residence, and likewise in the case of its emergency condition;

—in other cases specified by the housing legislation.

4. If the tenant of residential housing or other citizens for whose actions he is responsible use the residence for other than its intended purpose or systematically violate the rights and interests of neighbors, the landlord may give the tenant warning regarding the need to correct the violations.

If, after the warning, the tenant or other citizens for whose actions he is responsible continue to violate the rights and interests of the neighbors or to use the housing facilities for other than their intended purpose, the landlord has the right to dissolve the agreement on rental of residential housing in judicial order. In this case, the rules specified in paragraph four, point 2 of the present article are applied.

Article 688. Consequences of dissolution of agreement on rental of residential housing

In the case of dissolution of an agreement on rental of residential housing, the tenant and other citizens living in the residential housing at the moment of dissolution of the agreement are subject to eviction from the residential housing on the basis of court decision.

Chapter 36. UNCOMPENSATED USE

Article 689. Agreement on uncompensated use

1. According to the agreement on uncompensated use (loan agreement), one party (loan giver) promises to transfer or transfers an item for uncompensated temporary use to the other party (loan recipient), and the latter promises to return the said item in the same condition in which it was received, with consideration for normal wear, or in the condition specified in the agreement.

2. The rules specified in Article 607; point 1 and paragraph one, point 2, Article 610; points 1 and 3 of Article 615; point 2 of Article 621; points 1 and 3, Article 623 of the present Code apply to the agreement on uncompensated use, respectively.

Article 690. Loan giver

1. The right to give an item for uncompensated use belongs to its owner and to other persons authorized to do so by law or by the owner.

2. A commercial organization does not have the right to give property for uncompensated use to a person who is its founder, participant, director, or member of its organs of administration or control.

Article 691. Granting item for uncompensated use

1. The loan giver is obligated to present the item in a condition corresponding to the conditions of the agreement and to its designated purpose.

2. The item is given for uncompensated use along with all of its appurtenances and related documents (instructions for use, technical passport, etc.), unless otherwise specified in the agreement.

If such appurtenances and documents have not been handed over, and the item cannot be used for its designated purpose without them, or if its use significantly loses value for the loan recipient, the latter has the right to demand that such appurtenances and documents be provided to him, or to demand dissolution of the agreement and compensation of the real loss incurred by him.

Article 692. Consequences of failure to present an item for uncompensated use

If the loan giver does not present the item to the loan recipient, the latter has the right to demand dissolution of the agreement on uncompensated use and compensation of the actual incurred losses.

Article 693. Responsibility for defects in item handed over for uncompensated use

1. The loan giver answers for defects in an item which he intentionally or, due to gross negligence, did not stipulate at the time of concluding the agreement on uncompensated use.

Upon discovering such defects, the loan recipient has the right, at his discretion, to demand from the loan giver the uncompensated correction of defects in the item or compensation of his expenditures for correction of the defects in the item, or he may demand early dissolution of the agreement and compensation of the incurred or real losses.

2. The loan giver who has been informed of the demands of the loan recipient or of his intention to correct the defects in the item at the expense of the loan giver, may without delay perform exchange of the faulty item with another analogous one, which is in proper condition.

3. The loan giver does not answer for those defects in the item which were stipulated by him at the time of conclusion of the agreement or were previously known to the loan recipient, or should have been discovered by the loan recipient at the time of inspection of the item or verification of its working order at the time of conclusion of the agreement or upon transfer of the item.

Article 694. Rights of third parties to item handed over for uncompensated use

Transfer of an item for uncompensated use does not constitute grounds for amendment or termination of the rights of third parties to this item.

At the time of concluding the agreement on uncompensated use, the loan giver is obligated to notify the loan recipient of all rights of third parties to this item (servitude, right of security deposit, etc.). Failure to fulfill this obligation gives the party receiving the item for uncompensated use the right to demand dissolution of the agreement and compensation of actual incurred losses.

Article 695. Obligations of loan recipient on maintenance of item

The loan recipiant is obligated to maintain the item received for uncompensated use in good working order, including performance of routine and capital repair, and must bear all expenditures for its maintenance, unless otherwise specified in the agreement on uncompensated use.

Article 696. Risk of accidental loss or accidental damage to item

The loan recipient bears the risk of accidental loss or accidental destruction of an item received for uncompensated use, if the item was destroyed or damaged in connection with the fact that it was used not in accordance with the agreement on uncompensated use or with the designated purpose of the item, or handed over to a third party without the consent of the loan giver. The loan recipient also bears the risk for accidental loss or accidental damage to the item if, considering the actual circumstances, he could have prevented its loss by sacrificing his own item, but preferred to retain his own item.

Article 697. Liability for harm inflicted upon a third party as a result of use of the item

The loan giver answers for the harm inflicted upon a third person as a result of use of the item, if he does not prove that the harm was inflicted as a result of intent or gross negligence of the loan recipient or person in whose possession this item turned out to be, with his consent.

Article 698. Early dissolution of agreement on uncompensated use

1. The loan giver has the right to demand early dissolution of the agreement on uncompensated use in cases when the loan recipient:

—uses the item not in accordance with the agreement or the intended purpose of the item;

—does not fulfill the obligations on keeping the item in good working order or its maintenance;

—allows significant deterioration in the condition of the item;

—gives the item to a third party without consent of the loan giver.

2. The loan recipient has the right to demand early dissolution of the agreement on uncompensated use:

—upon discovering defects which make normal use of the item impossible or burdensome, and about which he did not know and could not have known at the time of concluding the agreement;

—if the item, due to circumstances for which he is not responsible, turns out to be in a condition unsuitable for use;

—if, at the time of concluding the agreement, the loan giver does not warn him of the rights of third parties to the item which is being given to him;

—if the loan giver fails to fulfill the responsibilities of handing over the item or its appurtenances and related documents.

Article 699. Rejection of agreement on uncompensated use

1. Each of the parties has the right at any time to reject the agreement of uncompensated use concluded without indication of term, upon giving the other party one month's notice, unless a different term of notification is specified in the agreement.

2. Unless otherwise specified in the agreement, the loan recipient has the right, at any time, to reject the agreement concluded with indication of term, in accordance with the procedure specified in point 1 of the present article.

Article 700. Change of parties to agreement on uncompensated use

1. The loan giver has the right to perform cession of the item or to hand it over for uncompensated use to a third party. In this case, the rights under the previously concluded agreement on uncompensated use are transferred to the new owner or user, and his rights in regard to the item are encumbered with the rights of the loan recipient.

2. In the case of death of the citizen who is the loan giver or reorganization or liquidation of the legal entity which is the loan giver, the rights and obligations of the loan giver under the agreement on uncompensated use pass to the heir (legal successor) or to some other person to whom the right of ownership to the item or other right on the basis of which the item was handed over for uncompensated use has passed.

In case of reorganization of a legal entity which is the loan recipient, its rights and obligations under the agreement pass to the legal entity which is its legal successor, unless otherwise specified by the agreement.

Article 701. Termination of agreement on uncompensated use

The agreement on uncompensated use is terminated also in the case of death of the citizen who is the loan recipient or liquidation of the legal entity which is the loan recipient, unless otherwise specified by the agreement.

Chapter 37. CONTRACT

#1. General principles regarding contract

Article 702. Contractual agreement

1. According to the contractual agreement, one party (contractor) promises to fulfill at the assignment of the other party (customer) specified work and to submit it to the customer. The customer, in turn, promises to accept the work and pay for it.

2. The principles specified in the present paragraph are applied to certain types of contractual agreements (consumer agreement, building agreement, agreement for fulfillment of planning or survey work, contractual work for state needs), unless otherwise specified by the rules of the present Code regarding these types of agreements.

Article 703. Work performed under contractual agreement

1. The contractual agreement is concluded for the manufacture or processing (treatment) of an item, or for fulfillment of other work with transfer of its result to the customer.

2. In accordance with the contractual agreement concluded for manufacture of an item, the contractor hands over to the customer the right to said item.

3. Unless otherwise specified by the agreement, the contractor independently determines the methods of fulfilling the customer's assignment.

Article 704. Performance of work by support of contractor

1. Unless otherwise specified by the agreement, work is performed by support of the contractor: Using his materials, his efforts and his means.

2. The contractor bears liability for improper quality of materials and equipment supplied by him, as well as for provision of materials and equipment encumbered by the rights of third persons.

Article 705. Distribution of risk among parties

1. Unless otherwise specified by the present Code, other laws or by the contractual agreement:

—risk of accidental loss or accidantal damage to materials, equipment, items handed over for processing (treatment) or other property used for fulfillment of the agreement is borne by the party supplying them;

—risk of accidental loss or accidental damage to work performed prior to its acceptance by the customer is borne by the contractor.

2. In case of delays in submission or acceptance of the result of the work, the risks specified in point 1 of the present article are borne by the party which has allowed the delay.

Article 706. General contractor and subcontractor

1. If the law or the contractual agreement do not provide that the contractor must perform the work specified in the agreement personally, the contractor has the right to involve other persons in the fulfillment of his obligation (subcontractors). In this case, the contractor acts in the role of general contractor.

2. The contractor who has involved a subcontractor in fulfillment of the agreement in violation of the principles stated in point 1 of the present article or in violation of the agreement is liable to the customer for the losses inflicted by the participation of such subcontractor in fulfillment of the agreement.

3. The general contractor is liable to the customer for consequences of the subcontractor's non-fulfillment or improper fulfillment of his obligations, in accordance with the rules of point 1, Article 313 and Article 403 of the present Code; and to the subcontractor—[the general contractor] is liable for the customer's non-fulfillment or improper fulfillment of his obligations under the contractual agreement.

Unless otherwise specified by law or by the agreement, the customer and subcontractor do not have the right to submit mutual demands to each other, associated with the violation of agreements concluded by each of them with the general contractor.

4. With the consent of the general contractor, the customer has the right to conclude an agreement for performance of individual jobs with other persons. In this case, the specified persons are directly liable to the customer for non-fulfillment or improper fulfillment of the work.

Article 707. Participation of several persons in fulfillment of work

1. If two or more persons act at once on the side of the subcontractor, in case of indivisibility of the object of obligation, they are considered to be joint debtors in regard to the customer, as well as joint creditors.

2. In case of divisibility of the object of obligation, and likewise in other cases specified by law, other legal statutes or by the agreement, each of the persons

indicated in point 1 of the present article acquires the rights and bears the responsibilities in regard to the customer within the limits of their share (Article 321).

Article 708. Terms of fulfillment of work

1. The contractual agreement specifies the beginning and ending terms of fulfillment of the work. By mutual consent of the parties, the agreement may also specify terms for completion of individual stages of the work (intermediate terms).

Unless otherwise specified by law, other legal statutes, or by the agreement, the contractor bears liability for violation of the starting and ending, as well as the intermediate terms for fulfillment of the work.

2. The starting, ending and intermediate terms for fulfillment of the work specified in the contractual agreement may be amended in the cases and in accordance with the procedure specified in the agreement.

3. The consequences of delays in fulfillment specified in point 2 , Article 405 of the present Code ensue upon violation of the specified time for completion of the work.

Article 709. Cost of work

1. The contractual agreement stipulates the cost of the work subject to fulfillment or the methods of its determination. In the absence of such stipulations in the agreement, the cost is determined in accordance with point 3, Article 424 of the present Code.

2. The cost specified in the contractual agreement includes compensation of the contractor's expenses and the remuneration due him.

3. The cost of the work may be determined by means of compilation of an estimate.

In cases when the work is performed in accordance with the estimate compiled by the contractor, the estimate is effective and becomes part of the agreement from the moment of its confirmation by the customer.

4. The cost of the work (estimate) may be approximate or fixed. In the absence of other indications in the contractual agreement, the cost of the work (estimate) is considered fixed.

5. If the need arises to perform additional work and for this reason—to significantly exceed the approximately determined cost of the work, the contractor must give timely warning of this fact to the customer. If the customer does not agree to the higher price of the work specified in the contractual work, he has the right to reject the agreement. In this case, the contractor may demand from the customer payment for the cost of the portion of work actually performed.

The contractor who has not given timely notification to the customer regarding the necessity of exceeding the cost specified in the agreement must fulfill the agreement retaining the right to payment for the work at the price specified in the agreement.

6. The contractor does not have the right to demand an increase in the fixed price, and the customer does not have the right to demand its reduction, including also in the case when the full volume of work subject to fulfillment or the expenditures necessary for this could not be foreseen at the time of concluding the agreement.

If there is a significant increase in the cost of materials and equipment supplied by the contractor, as well as in the services provided to him by third parties, which could not have been foreseen at the time of conclusion of the agreement, the contractor has the right to demand an increase in the established price, and upon refusal of the customer to fulfill this demand—to demand dissolution of the contract in accordance with Article 451 of the present Code.

Article 710. Savings of contractor

1. In cases when the actual expenditures of the contractor turn out to be less than those which were considered in determining the price, the contractor retains the right to payment for the work at the price specified in the contractual agreement, if the customer does not prove that the savings received by the contractor influenced the quality of the work performed.

2. The contractual agreement may make provision for distribution of the savings obtained by the contractor between the parties.

Article 711. Order of payment for work

1. If the contractual agreement does not specify prepayment of the work performed or individual stages thereof, the customer is obligated to pay the contractor the specified price upon final submission of the work, under the condition that the work is performed properly and within the agreed-upon time, or with the consent of the customer—ahead of schedule.

2. The contractor has the right to demand payment of an advance or a deposit only in the cases and in the amount specified by law or by the contractual agreement.

Article 712. Right of the contractor to withholding

If the customer fails to fulfill the obligation to pay the agreed-upon price or some other sum payable to the contractor in connection with fulfillment of the agreement, the contractor has the right to withhold the result of the work, in accordance with Articles 359 and 360 of the present Code, and also to withhold any equipment belonging to the customer which was handed over for processing (treatment) of the item, or remainder of the unutilized materials and any other propety of the customer which he may have in his possession, until the customer pays the appropriate sums.

Article 713. Fulfillment of work using customer's materials

1. The contractor is obligated to use the materials given to him by the customer economically and prudently, and upon completion of the work to give an accounting to the customer on expenditure of the materials, and likewise to return the remainder of such materials or, with the consent of the customer, to reduce the price of the work with consideration for the cost of the unused materials remaining with the contractor.

2. If the result of work was not achieved, or if the achieved result proved to have shortcomings which make it unsuitable for use as specified in the contractual agreement, and in the absence of appropriate condition in the agreement—for ordinary use, for reasons caused by the defects in the material supplied by the customer, the contractor has the right to demand payment of the work performed by him.

3. The contractor may exercise the right specified in point 2 of the present article if he proves that the defects in the material could not have been discovered in the course of the contractor's proper acceptance.

Article 714. Liability of contractor for failure to provide safekeeping of property supplied by the customer

The contractor bears liability for failure to provide for safekeeping of the materials, equipment, items given for processing (treatment) or other property supplied by the customer which is in the possession of the contractor in connection with fulfillment of the contractual agreement.

Article 715. Customer's rights during performance of work by contractor

1. The customer has the right, at any time, to verify the course and quality of the work performed by the contractor, without interfering in his activity.

2. If the contractor does not begin timely fulfillment of the contractual agreement or performs the work so slowly that its timely completion becomes clearly impossible, the customer has the right to refuse fulfillment of the agreement and demand compensation of losses.

3. If in the course of fulfillment of the work it becomes obvious that it will not be fulfilled properly, the customer has the right to give the contractor a reasonable time to correct the defects, and if the contractor does not fulfill this demand within the specified time, to cancel the agreement or to assign correction of the work to another party at the expense of the contractor, and also to demand compensation of losses.

Article 716. Circumstances of which the contractor is obligated to notify the customer

1. The contractor is obligated to immediately notify the customer, and to stop work until he receives instructions from him, upon discovering:

—unsuitability or poor quality of the materials, equipment, technical documentation or item handed over for processing (treatment) which was supplied by the customer;

—possible unfavorable consequences for the customer which may result from fulfillment of his instructions regarding the method of performing work;

—other circumstances not depending on the contractor which threaten the suitability or quality of results of the performed work, or which make it impossible to complete the work on time.

2. A contractor who has not notified the customer of the circumstances indicated in point 1 of the present article, or who continues to work without waiting for expiration of the time specified in the agreement, and in its absence—a reasonable time for a response to the notification, or in spite of timely instructions from the contractor to cease work, does not have the right to refer to the indicated circumstances if the appropriate demands are presented to him, or by him to the customer.

3. If the customer, despite timely and justified notification by the contractor regarding the circumstances indicated in point 1 of the present article, does not within reasonable time replace the unsuitable or poor quality material, equipment, technical documentation or item handed over to him for processing (treatment), does not change instructions regarding the method of fulfillment of the work, or does not take other necessary measures for correcting the circumstances threatening the suitability or durability of the work, the contractor has the right to refuse fulfillment of the contractual agreement and to demand compensation for the losses inflicted by its termination.

Article 717. Refusal of customer to fulfill contractual agreement

Unless otherwise specified by the contractual agreement, the customer may, at any time prior to submission of the result of the work to him, refuse fulfillment of the agreement, having paid the contractor part of the specified price in proportion to the work he performed prior to receiving notification of the customer's refusal to fulfill the agreement. The customer is also obligated to compensate the contractor for the losses inflicted by termination of the contractual agreement, within the limits of the difference between the part of the price paid for the work performed and the price specified for the entire job.

Article 718. Assistance by customer

1. The customer is obligated to render the contractor assistance in fulfillment of the work in the cases, in the volume and in accordance with the procedure specified in the contractual agreement.

If the customer does not fulfill this obligation, the contractor has the right to demand compensation of inflicted losses, including additional expenditures caused by delay, or postponement of times for fulfillment of work, or increase in price of the work specified in the agreement.

2. In cases when fulfillment of the work under the contractual agreement has become impossible as a result of actions or omissions of the customer, the contractor retains the right to receive payment of the price specified in the agreement, with consideration of the portion of the work performed.

Article 719. Failure of customer to fulfill counter-obligations under the contractual agreement

1. The contractor has the right not to begin work, and to discontinue work which has been undertaken, in cases where the customer's violation of his obligations under the contractual agreement, specifically his failure to provide materials, equipment, technical documentation or item subject to processing (treatment), hinders the contractor's fulfillment of the agreement, and likewise in the presence of circumstances clearly indicating that fulfillment of the said obligations will not be performed within the specified time (Article 328).

2. Unless otherwise specified in the contractual agreement, the contractor, in the presence of circumstances specified in point 1 of the present article, has the right to refuse fulfillment of the agreement and to demand compensation of losses.

Article 720. Customer's acceptance of work performed by the contractor

1. The customer is obligated, within the terms and in accordance with the procedure specified in the contractual agreement, and with the participation of the contractor, to inspect and accept the work performed (its result), and upon finding discrepancies with the agreement which reduce the quality of the work or other defects in the work—to immediately notify the contractor of this fact.

2. The customer who finds defects in the work during its acceptance has the right to refer to them only if the statute or some other document certifying acceptance stipulates these defects or the possibility of subsequent presentation of demands for their correction.

3. Unless otherwise specified in the contractual agreement, the customer who has accepted work without inspection loses the right to refer to the defects in the work which could have been discovered by the customary method of its acceptance (obvious defects).

4. The customer who, after acceptance of the work, discovers deviations from the agreement or other defects which could not have been discovered under the customary method of its acceptance (hidden defects), including those which were intentionally concealed by the contractor, must notify the contractor of discovering such defects within a reasonable period of time.

5. In case of dispute between the customer and the contractor regarding defects in the work performed or the reasons for them, an expert investigation must be appointed at the demand of either of the parties. The expenditures for conducting the expert investigation are borne by the contractor, with the exception of cases when the expert investigation finds that the contractor has not violated the contractual agreement or that there is no causal connection between the actions of the contractor and the discovered defects. In such cases, the expenses for the expert investigation are borne by the party demanding appointment of the expert investigation, and if it was was appointed by mutual consent of the parties—by both parties equally.

6. Unless otherwise specified in the contractual agreement, if the customer declines to accept the performed work, the contractor has the right, upon expiration of one month from the day when the result of the work was to have been handed over to the customer in accordance with the agreement, and with the condition of subsequent two-time warning issued to the customer, to sell the result of the work and, after deduction of all payments due to the contractor, to place the sum

received on deposit in the name of the customer in accordance with the procedure specified in Article 327 of the present Code.

7. If the customer's refusal to accept the performed work has entailed a delay in submission of the work, the risk of accidental loss of the manufactured (processed or treated) item is considered to have passed to the customer at the moment when the transfer of the item was to have taken place.

Article 721. Quality of work

1. Quality of work performed by the contractor must correspond to the conditions of the contractual agreement, and in their absence or incompleteness—to the requirements generally presented for work of the corresponding type. Unless otherwise specified by law, other legal statutes or by the agreement, the result of the work performed must at the moment of transfer to the customer possess the properties specified in the agreement or certain generally presented requirements, and within the limits of a reasonable time be suitable for the use specified in the agreement, and if such use is not specified—for customary use of the result of work of this type.

2. If the law, other legal statutes or the procedure specified by them provide for mandatory requirements for work performed under the contractual agreement, the contractor acting as an entrepreneur is obligated to perform the work with adherence to these mandatory requirements.

Under the agreement, the contractor may assume the responsibility of performing work which corresponds to higher requirements for quality as compared with the specified requirements which are mandatory for the parties.

Article 722. Guarantee of quality of work

1. In the case when the law, other legal statute, contractual agreement or the customs of business practice specify a warranty period for the result of the work, the result of the work must correspond to the conditions of the agreement in regard to quality (point 1, Article 721) for the duration of the entire warranty period.

2. The guarantee of quality of result of the work extends to everything comprising the result of the work, unless otherwise specified by the contractual agreement.

Article 723. Liability of contractor for improper quality of work

1. In cases when the work is performed by the contractor with deviations from the agreement which reduce the quality of the work, or with other defects which make it unsuitable for the purpose specified in the agreement, or in the absence of the appropriate condition in the agreement—for customary use, the customer has the right, unless otherwise specified by law or by agreement, at his discretion, to demand the following from the contractor:

—uncompensated correction of the defects in the work within a reasonable time;

—commensurate reduction in the price set for the work;

—compensation of his expenditures for correcting the defects, when the right of the customer to correct them is specified in the contractual agreement (Article 397).

2. The contractor has the right, instead of correcting the defects, to perform the work anew free of charge, compensating the customer for losses inflicted by the delay in fulfillment. In this case, the customer must return to the contractor the results of the work previously handed over to him, if such return is possible by nature of the work.

3. If the discrepancies in the work as compared to the conditions specified in the contractual agreement or other defects in the results of the work have not been corrected within the reasonable time specified by the customer, or if they are significant and cannot be corrected, the customer has the right to refuse fulfillment of the agreement and to demand compensation of the incurred losses.

4. The condition of the contractual agreement regarding excusing the contractor from liability for certain defects does not excuse him from liability if it is proven that such defects arose as a result of actions for which he is at fault, or as a result of inaction of the contractor.

5. The contractor who has provided the materials for fulfillment of the work is responsible for their quality in accordance with the rules of responsibility of a seller for goods of improper quality (Article 475).

Article 724. Terms of determining improper quality of result of work

1. Unless otherwise specified by law or by the contractual agreement, the customer has the right to submit demands associated with improper quality of the result of work, under the condition that it is discovered within the time specified by the present article.

2. In the case when a warranty period has not been established for the result of the work, the demands associated with shortcomings in the result of the work may be submitted by the customer under the condition that they were discovered within a reasonable time, but within the limits of 2 years from the day of transfer of

the work, if other terms are not specified by law, by the agreement, or by the customs of business practice.

3. The customer has the right to submit demands associated with shortcomings in the result of the work discovered in the course of the warranty period.

4. In the case when the warranty period specified in the agreement comprises less than 2 years and the shortcomings in the result of the work are discovered by the customer upon expiration of the warranty period, but within the limits of 2 years from the moment specified in point 5 of the present article, the contractor bears liability, if the customer proves that the shortcomings arose prior to transfer of the result of the work to the customer, or for reasons arising prior to this moment.

5. Unless otherwise specified in the contractual agreement, the warranty period (point 1, Article 722) begins from the moment when the result of the work performed was accepted or should have been accepted by the customer.

6. The rules contained in points 2 and 4, Article 471 of the present code, respectively, are applied to the computation of the warranty period under the contractual agreement, unless otherwise specified by law, other legal statutes, mutual consent of the parties, or results from the specifics of the contractual agreement.

Article 725. Statute of limitations on improper quality of work

1. The statute of limitations for demands submitted in connection with improper quality of work performed under the contractual agreement comprises one year, and in regard to buildings and structures is defined in accordance with the rules of Article 196 of the present Code.

2. If, in accordance with the contractual agreement, the result of the work is accepted by the customer in parts, the course of the statute of limitations begins on the day of acceptance of the result of the work as a whole.

3. If the law, other legal statute or the contractual agreement specify a warranty period, and complaints regarding defects in the result of the work are made within the limits of the warranty, the course of the statute of limitations specified in point 1 of the present article begins from the day the defects are reported.

Article 726. Obligation of contractor to hand over information to the customer

The contractor is obligated to hand over to the customer, together with the results of the work, all information concerning the operation or other use of the object of the contractual agreement, if this is specified by the agreement or the character of the information is such that, without it, it is impossible to utilize the results of the work for the purposes indicated in the agreement.

Article 727. Confidentiality of information obtained by the parties

If, due to the fulfillment of its obligations under the agreement, a party to the agreement receives information from the other party regarding new decisions and technical knowledge, including those not protected by law, and likewise information which may be viewed as a trade secret (Article 139), the party receiving such information does not have the right to divulge it to third parties without the consent of the other party.

The procedure and conditions for use of such information are defined by mutual agreement of the parties.

Article 728. Return by contractor of property handed over by the customer

In cases when the customer, on the basis of point 2, Article 715 or point 3, Article 723 of the present Code, dissolves the contractual agreement, the contractor is obligated to return the materials, equipment, item given for processing (treatment) and other property supplied by the customer, or to hand them over to the person designated by the customer, and if this proves to be impossible—to compensate the value of the materials, equipment or other property.

Article 729. Consequences of termination of contractual agreement prior to receipt of result of the work

In the case of termination of the contractual agreement on the grounds specified by law or by the agreement prior to the customer's receipt of the result of the work performed by the contractor (point 1, Article 720), the customer has the right to demand transfer of the result of the unfinished work to him, with compensation of the contractor for his incurred expenditures.

#2. Consumer contract

Article 730. Consumer contractual agreement

According to the consumer contractual agreement, the contractor, who performs the appropriate entrepreneurial activity, promises to fulfill, at the assignment of the citizen (customer), certain work intended for satisfaction of household and other personal needs of the customer, and the customer promises to accept the work and pay for it.

2. The consumer contractual agreement is a public agreement (Article 426).

3. The laws on protection of consumer rights and other legal statutes adopted in accordance with them are applied to relations under the consumer contractual agreement not regulated by the present Code.

Article 731. Guarantee of customer's rights

1. The contractor does not have the right to impose upon the customer inclusion of additional work or services in the consumer contractual agreement. The customer has the right to refuse payment for work or services not specified in the agreement.

2. The customer has the right to cancel the consumer contractual agreement at any time prior to submission of the work to him, paying the contractor part of the agreed-upon price of the work in proportion to the work actually performed prior to notification of cancellation of agreement, and compensating the contractor for expenditures incurred prior to this moment for the purpose of fulfillment of the contract, if such expenditures are not included in the indicated portion of cost of the work. Conditions of the agreement which deprive the customer of this right are null and void.

Article 732. Presentation of information about proposed work to customer

1. Upon conclusion of the consumer contractual agreement, the contractor must present the customer necessary and reliable information on the proposed work, its types and specifics, on the price and form of payment, and likewise must provide the customer at his request with other information relating to the agreement and to the appropriate work. If this is applicable by the nature of the work, the contractor must indicate to the customer the specific person who will be performing the work.

2. The customer has the right to demand dissolution of the consumer contractual agreement which has been concluded, without payment for the work performed and likewise with compensation of losses, when as a result of incompleteness or unreliability of the information received from the contractor, the agreement was concluded for fulfillment of work which did not possess the properties envisioned by the customer.

Article 733. Performance of work using contractor's materials

1. If work under the consumer contractual agreement is being performed using the contractor's materials, the mateials are paid for by the customer at the time of conclusion of the agreement in full or in the part specified in the agreement, with final payment due at the time of the customer's receipt of the work performed by the contractor. In accordance with the agreement, the material may be supplied by the contractor on credit, including under the condition of term payment for the material by the customer.

2. Change in the price of the material supplied by the contractor after conclusion of the consumer contractual agreement does not entail revision of terms.

Article 734. Performance of work using customer's materials

If the work under the consumer contractual agreement is performed using the customer's material, the receipt or other document issued to the customer by the contractor upon conclusion of the agreement must specify the exact name, description and cost of the materials, as defined by mutual consent of the parties. The cost estimate of the material in the receipt or other analogous document may subsequently be challenged by the customer in court.

Article 735. Price and payment for work

The price of the work stated in the consumer contractual agreement is determined by mutual consent of the parties, and may not be higher than that established or regulated by the appropriate state agencies. The work is paid for by the customer after its final submission by the contractor. With the consent of the customer, the work may be paid for by him in full at the time of conclusion of the agreement, or by means of issuance of an advance.

Article 736. Warning customer of conditions of utilizing performed work

Upon submission of work to the customer, the contractor is obligated to inform him of the requirements which must be adhered to for effective and safe use of the result of the work, and likewise of the possible consequences of failure to adhere to the appropriate requirements for the customer himself and for other persons.

Article 737. Consequences of discovering defects in completed work

1. In the case of discovering defects at the time of acceptance of the result of the work or at the time of its application, the customer may, within the general terms specified by Article 725 of the present Code, and in the presence of warranty periods—within the course of these periods, at his discretion exercise one of the rights specified in Article 723 of the present Code, or demand uncompensated repeat fulfillment of the work or compensation of the expenditures incurred by him for correction of the defects by his own means or by third parties.

2. The demand for uncompensated correction of these defects in the work performed under consumer contractual agreement, if said defects may pose danger to the life or health of the customer himself and other persons, may be presented by the customer or his legal successor within a period of 10 years from the moment of acceptance of the results of the work, if the lawfully established procedure does not provide for longer terms (terms of service). Such demand may be presented regardless of when these defects were discovered, including upon their discovery after expiration of the warranty period.

3. If the contractor fails to fulfill the requirement indicated in point 2 of the present article, the customer has the right, within the same period, to demand refund of part of the price paid for the work, or compensation of the expenses incurred in connection with correction of the defects through his own efforts or with the aid of third parties.

Article 738. Consequences of customer's failure to claim result of the work

1. In case of the customer's failure to appear to receive the result of the completed work, or other evasion of its acceptance by the customer, the contractor has the right, upon having given written notification to the customer and upon expiration of 2 months from the day of such notification, to sell the result of the work for a reasonable price, and to place the sum received, after deduction of all payments due to the contractor, upon deposit in accordance with the procedure specified in Article 327 of the present Code.

Article 739. Rights of customer in case of improper fulfillment or non-fulfillment of work under the consumer contractual agreement

In case of improper fulfillment or non-fulfillment of work under the consumer contractual agreement, the customer may exercise the rights granted to a buyer in accordance with Articles 503-505 of the present Code.

#3. Building contract

Article 740. Building contract agreement

1. According to the building contract agreement, the contractor promises, within the time specified in the agreement, to build a specific object at the assignment of the customer, or to perform other construction work. The customer, in turn, promises to create for the contractor the necessary conditions for fulfillment of the work, to accept its result and to pay the agreed-upon price for it.

2. The building contract agreement is concluded for construction or reconstruction of an enterprise, building (including residential house), structure or other object, and likewise for performance of installation, start-up and adjustment and other work which is inseparably associated with the object under construction. The rules on building contract agreement are applied also to work on capital repair of buildings and structures, unless otherwise specified by the agreement.

In cases specified by the agreement, the contractor assumes the obligation of ensuring the operation of the object after its acceptance by the customer for the duration of the term specified in the agreement.

3. In cases when work is performed under the building contract agreement for satisfaction of the household or other personal needs of a citizen (customer), the rules of paragraph 2 of the present chapter regarding rights of the customer under the consumer contractual agreement are respectively applied to such agreement.

Article 741. Distribution of risk between parties

1. The risk of accidental loss or accidental damage of an object of construction which comprises the object of the building contract agreement is borne by the contractor up until the time of acceptance of this object by the customer.

2. If the object of construction, prior to its acceptance by the customer, is destroyed or damaged as a result of poor quality of materials (parts, structures) or equipment supplied by the customer, or as a result of fulfillment of erroneous customer instructions, the contractor has the right to demand payment of the entire cost of the work specified in the estimate, provided that he has fulfilled the obligations specified in point 1, Article 716 of the present Code.

Article 742. Insurance of object of construction

1. The building contract agreement may specify the obligation of the party which bears the risk of accidental loss or accidental damage of objects under construction, materials, equipment and other property used in construction, or the liability for infliction of harm to other persons during performance of construction, to insure against the appropriate risks.

The party which bears the responsibility for insurance must present to the other party proof of concluding the insurance agreement on the conditions specified in the building contract agreement, including data on the insurer, the amount of insurance sum, and the insured risks.

2. Insurance does not excuse the appropriate party from the obligation to take necessary measures to prevent the onset of the situation which has been insured against.

Article 743. Technical documentation and estimate

1. The contractor is obligated to perform construction and work associated with it in accordance with the technical documentation, which defines the volume and content of the work and other requirements set for the work, and in accordance with the estimate which defines the cost of the work.

In the absence of other stipulations in the building contract agreement, it is presumed that the contractor is obligated to perform all work indicated in the technical documentation and in the estimate.

2. The building contract agreement must define the complement and content of the technical documentation, and must also specify which of the parties must submit the appropriate documentation, and at what time.

3. The contractor, who in the course of construction has discovered work which has not been taken into consideration in the technical documentation, and in connection with this the need for performing additional work and for increasing the estimated cost of construction, must notify the customer of this fact.

If the customer does not respond to this notification within 10 days, unless the law or the agreement provide for a different term, the contractor is obligated to halt the appropriate work and to charge the losses caused by the idle time to the customer. The customer is excused from compensation of these losses if he proves the absence of need for performing the additional work.

4. The contractor who has not fulfilled the obligation specified in point 3 of the present article is deprived of the right to demand from the customer payment for the additional work performed by him and compensation of the losses caused by this, if he does not prove the need for immediate actions in the interests of the customer, specifically in connection with the fact that the halted work could have led to loss or damage of the object under construction.

5. Upon consent of the customer to performance of and payment for additional work, the contractor has the right to refuse fulfillment of the said work only in cases when it does not enter into the sphere of the contractor's professional activity, or if it cannot be performed by the contractor for reasons beyond his control.

Article 744. Introduction of changes into the technical documentation

1. The customer has the right to introduce changes into the technical documentation under the condition that the cost of the additional work necessitated by this does not exceed 10 percent of the overall cost of construction indicated in the estimate and does not alter the character of the work specified in the building contract agreement.

2. Introduction of changes in the technical documentation in a greater volume than that specified in point 1 of the present article is performed on the basis of a supplemental estimate agreed upon by the parties.

3. In accordance with Article 450 of the present Code, the contractor has the right to demand a review of the estimate, if the cost of the work has exceeded the estimate by no less than 10 percent for reasons beyond his control.

4. The contractor has the right to demand compensation of reasonable expenditures which were incurred by him in connection with finding and correcting defects in the technical documentation.

Article 745. Provision of construction with materials and equipment

1. Obligations for provision of construction with materials, including parts, structures and equipment, are borne by the contractor, if the building contract agreement does not specify that material provision of construction on the whole or in a specific part shall be performed by the customer.

2. The party whose obligations include material provision of construction bears responsibility for the apparent impossibility of using the materials or equipment supplied by it without reduction in the quality of the performed work, if it does not prove that the impossibility of fulfillment of the work arose due to circumstances for which the other party is responsible.

3. In cases of apparent impossibility of using the materials or equipment supplied by the customer without reduction in the quality of the performed work and refusal of the customer to replace them, the contractor has the right to cancel the building contract agreement and to demand from the customer payment of the price specified in the agreement in proportion to the portion of work performed.

Article 746. Payment for work

1. Payment for work completed by the contractor is performed by the customer in the amount specified in the estimate, within the times and in accordance with the procedure specified by law or by the building contract

agreement. In the absence of appropriate indications in the law or in the agreement, payment for the work is performed in accordance with Article 711 of the present Code.

2. The building contract agreement may specify payment for the work at one time and in full volume upon acceptance of the object by the customer.

Article 747. Additional obligations of the customer under the building contract agreement

1. The customer is obligated to provide a land plot for construction, in a timely manner. The area and condition of the presented land plot must correspond to the conditions specified in the building contract agreement, and in the absence of such conditions—must ensure timely start of work, its normal course, and scheduled completion.

2. In the cases and order specified in the building contract agreement, the customer is obligated to provide for use by the contractor all buildings and structures necessary for performance of the work, and to provide for transport of shipments to him, timely hook-up of electrical power systems, water and steam lines, and to provide other services

3. Payment for the services provided by the customer, as specified in point 2 of the present article, is performed in the cases and on the conditions specified in the building contract agreement.

Article 748. Customer's control and supervision over fulfillment of work under the building contract agreement

1. The customer has the right to implement control and supervision over the course and quality of work performed, the adherence to times of completion (schedule), the quality of the materials supplied by the contractor, and likewise the proper use of the customer's materials by the contractor, without interfering in the operative-economic activity of the contractor.

2. A customer who in the course of implementing control and supervision over the performance of the work finds deviations from the conditions specified in the building contract agreement, which may reduce the quality of the work, or other shortcomings, must immediately report this to the contractor. A customer who has not made such notification loses the subsequent right to refer to the defects discovered by him.

3. The contractor is obligated to fulfill the instructions of the customer received during the course of construction, if such instructions do not contradict the conditions of the building contract agreement and do not constitute interference in the contractor's operative-economic activity.

4. A contractor who improperly performs the work does not have the right to refer to the fact that the customer did not implement control and supervision over its fulfillment, except for cases when the responsibility for implementing such control and supervision was placed upon the customer by law.

Article 749. Participation of engineer (engineering organization) in exercising rights and fulfilling obligations of customer

The customer, for purposes of implementing control and supervision over construction and adoption of decisions in his name in mutual relations with the contractor, may conclude, independently without consent of the contractor, an agreement on provision of services of this type to the customer with an appropriate engineer (engineering organization). In this case, the building contract agreement specifies the functions of such engineer (engineering organization) associated with the consequences of his actions for the contractor.

Article 750. Cooperation of parties in building contract agreement

1. If, in the performance of construction and the work associated with it, obstacles to the proper fulfillment of the building contract agreement are discovered, each of the parties is obligated to take all reasonable measures within its power to eliminate these obstacles. The party which does not fulfill this obligation loses its right to compensation of losses inflicted by the fact that the said obstacles were not eliminated.

2. Expenditures of the party associated with fulfillment of the obligations specified in point 1 of the present article are subject to compensation by the other party in cases when this is provided in the building contract agreement.

Article 751. Obligation of contractor in regard to environmental protection and provision of safety of construction work

1. The contractor, in performing construction and the work associated with it, is obligated to adhere to requirements of the law and other legal statutes on environmental protection and safety of construction work.

The contractor bears liability for violation of the specified requirements.

2. In the course of performing work, the contractor does not have the right to use materials and equipment supplied by the customer, or to fulfill his instructions, if this

may lead to violation of requirements of environmental protection and safety of construction work which are mandatory for the parties.

Article 752. Consequences of temporary suspension of construction

If, for reasons which do not depend on the parties, work under the building contract agreement must be suspended and the object of construction temporarily closed down, the customer is obligated to pay the contractor in full for the work performed by him up until the moment of suspension of the work, and also to compensate expenditures caused by the need for suspending work and temporarily closing down construction, with consideration of benefits which the contractor has received or could receive as a result of suspending work.

Article 753. Delivery and acceptance of work

1. The customer who has received notification from the contractor regarding readiness of the results of work performed under the building contract agreement for delivery, or if this is specified in the agreement—completion of a stage of the work, is obligated to immediately undertake its acceptance.

2. The customer organizes and implements acceptance of the work at his own expense, unless otherwise specified in the building contract agreement.

In the cases specified by law or other legal statutes, representatives of state agencies and organs of local self-government must participate in the acceptance of the result of the work.

3. The customer who has previously accepted the results of an individual stage of the work bears the risk of consequences of loss or damage of such result of the work, which occurred through no fault of the contractor.

4. Delivery of the result of work by the contractor and its acceptance by the customer is formulated by a statute, signed by both parties. Upon refusal of one of the parties to sign the statute, the appropriate notation is made in it, and the statute is signed by the other party.

A unilateral statute of delivery or acceptance of the work may be deemed invalid by the court only in the case when the reasons for refusal to sign the statute are deemed by the it to be justified.

5. In the cases when this is specified by law or by the building contract agreement, or results from the character of the work performed under the building contract agreement, the acceptance of result of the work must be preceded by preliminary inspection. In these cases, acceptance may be performed only with positive result of the preliminary inspection.

6. The customer has the right to refuse acceptance of the result of the work in the case of discovering defects which exclude the possibility of application of the object for the purpose stated in the building contract agreement, and which cannot be corrected by the contractor or the customer.

Article 754. Responsibility of contractor for quality of work

1. The contractor bears responsibility to the customer for deviations from the requirements specified in the technical documentation and in the construction standards and regulations which are mandatory for the parties, as well as for failure to achieve the indicators of the construction object specified in the technical documentation, including those such as production capacity of the enterprise.

In the case of reconstruction (renovation, re-building, restoration, etc.) of a building or structure, the contractor is held responsible for a decline or loss of strength, durability or reliability of the building, structure, or portion thereof.

2. The contractor is not responsible for minor deviations from the technical documentation allowed by him without the consent of the customer, if he proves that they did not affect the quality of the construction object.

Article 755. Guarantee of quality in the building contract agreement

1. Unless otherwise specified by the building contract agreement, the contractor guarantees that the construction object will achieve the indicators and capacities for operation of the object specified in the technical documentation, in accordance with the building contract agreement and for the duration of the warranty period. The warranty period specified by law may be prolonged by mutual agreement of the parties.

2. The contractor bears responsibility for shortcomings (defects) found discovered within the course of the warranty period, if he does not prove that they occurred as a result of normal wear of the object or its parts, improper operation or incorrect instructions for its operations developed by the customer himself or by a third party engaged by him, or improper repair of the object performed by the customer himself or by third parties engaged by him.

3. The course of the warranty period is interrupted for the entire time during which the object could not be used

as a result of shortcomings for which the contractor is responsible.

4. Upon discovering the defects indicated in point 1, Article 754 of the present Code within the course of the warranty period, the customer must notify the contractor about them within a reasonable time after their discovery.

Article 756. Terms of discovering improper quality of construction work

In presenting demands associated with improper quality of the result of work, the rules specified in points 1-5, Article 724 of the present Code are applied.

In this case, the maximal time for discovering the defects, in accordance with points 2 and 4, Article 724 of the present Code, comprises 5 years.

Article 757. Correction of defects at the expense of the customer

1. The building contract agreement may specify the contractor's responsibility to correct, at the demand of the customer and at his expense, any defects for which the contractor is not liable.

2. The contractor has the right to refuse to perform the work specified in point 1 of the present article in cases when correction of the defects is not directly associated with the object of the agreement or cannot be performed by the contractor for reasons beyond his control.

#4. Contract for fulfillment of planning and survey work

Article 758. Contractual agreement on fulfillment of planning and survey work

According to the contractual agreement on fulfillment of planning and survey work, the contractor (planner, surveyer), promises, at the assignment of the customer, to develop technical documentation and (or) to perform survey work, and the customer promises to accept and pay for its result.

Article 759. Preliminary data for fulfillment of planning and survey work

1. According to the contractual agreement on fulfillment of planning and survey work, the customer is obligated to hand over to the contractor the assignment for project planning, as well as other initial data necessary for compilation of the technical documentation. The assignment for fulfillment of planning work may be prepared by the contractor at the request of the customer. In this case, the assignment becomes mandatory for the parties from the moment of its approval by the customer.

2. The contractor is obligated to adhere to the requirements contained in the assignment and other initial data for fulfillment of planning and survey work, and has the right to deviate from them only with the consent of the customer.

Article 760. Obligations of contractor

1. In accordance with the contractual agreement on fulfillment of planning and survey work, the contractor is obligated to:

—perform work in accordance with the assignment and other preliminary data on planning, and with the agreement;

—coordinate the finished technical documentation with the customer, and if necessary, together with the customer—with competent state agencies and organs of local self-government;

—hand over to the customer the finished technical documentation and the results of the survey work.

The contractor does not have the right to hand over the technical documentation to third parties without the consent of the customer.

2. In accordance with the contractual agreement on fulfillment of planning and survey work, the contractor guarantees the customer the absence of third party rights to hinder or limit fulfillment of the work on the basis of the technical documentation prepared by the contractor.

Article 761. Responsibility of contractor for improper fulfillment of planning and survey work

1. In accordance with the contractual agreement on fulfillment of planning and survey work, the contractor bears responsibility for improper compilation of technical documentation and fulfillment of survey work, including shortcomings discovered subsequently in the course of construction, and likewise in the process of operation of the object constructed on the basis of the technical documentation and the data of the survey work.

2. Upon discovering defects in the technical documentation or in the survey work, the contractor, at the demand of the customer, is obligated to re-do the technical documentation without charge and to perform additional survey work accordingly, and also to compensate the customer for inflicted losses, unless otherwise specified by law or by the agreement on fulfillment of planning and survey work.

Article 762. Obligations of customer

According to the contractual agreement on fulfillment of planning and survey work, and unless otherwise specified by the agreement, the customer is obligated to:

—pay the contractor the specified price in full after completion of all work, or pay it in portions after completion of individual stages of the work;

—use the technical documentation received from the contractor only for purposes specified in the agreement, not hand over the technical documentation to third parties, and not divulge the data contained in it without the consent of the contractor;

—provide assistance to the contractor in fulfillment of planning and survey work within the volume and on the conditions specified in the agreement;

—participate together with the contractor in coordinating finished technical documentation with the appropriate state agencies and organs of local self-government;

—compensate the contractor for additional expenditures necessitated by change in the initial data for fulfillment of planning and survey work due to circumstances beyond the contractor's control;

—involve the contractor in participation in the case of claim filed against the customer by a third party in connection with defects in the compiled technical documentation or performed survey work.

#5. Contractual work for state needs

Article 763. State contract for fulfillment of contractual work for state needs

1. Contractual construction work (Article 740), and planning and survey work (Article 758) intended for meeting the needs of the Russian Federation or a subject of the Russian Federation and financed at the expense of funds of the appropriate budgets and extra-budgetary sources are performed on the basis of a state contract for fulfillment of contractual work for state needs.

2. According to the state contract for fulfillment of contractual work for state needs (henceforth—state contract), the contractor promises to perform construction, planning and other work associated with the construction and repair of facilities of a production and nonproduction character, and to hand them over to the state customer. The state customer, in turn, promises to accept the work performed and to pay for it or to ensure payment.

Article 764. Parties to the state contract

In the state contract, the state contractor is the state agency having the necessary investment resources, or organization empowered by the appropriate state agency with the right to manage such resources, and the contractor is a legal entity or citizen.

Article 765. Grounds and procedure for concluding state contract for

The grounds and procedure for concluding the state contract are defined in accordance with the principles in Articles 527 and 528 of the present Code.

Article 766. Content of state contract

1. The state contract must contain conditions regarding the volume and cost of the work subject to fulfillment, the terms of its beginning and completion, the amount and procedure of financing and payment for the work, and the methods of ensuring the obligations of the parties.

In the case when the state contract is concluded based on the results of a competition for placement of an order for contractual work for state needs, the conditions of the state contract are determined in accordance with the announced conditions of the competition and the proposal of the contractor submitted to the competition, which is judged to be the winner of the competition.

Article 767. Change in state contract

1. If the appropriate state agencies reduce the funds of the appropriate budget allocated for financing the contractual work in accordance with the established procedure, the parties must coordinate new terms, and if necessary also the other conditions of fulfillment of the work. The contractor has the right to demand from the state customer the compensation of losses inflicted by the change in terms of fulfillment of the work.

2. Unless otherwise specified by law, any changes in the state contract which are not associated with the circumstances indicated in point 1 of the present article are implemented by mutual consent of the parties.

Article 768. Legal regulation of state contract

The law on contractual agreements for state needs is applicable to the relations under the state contracts for fulfillment of contractual work for state needs, insofar as they are not regulated by the present Code.

Chapter 38. FULFILLMENT OF SCIENTIFIC-RESEARCH,

EXPERIMENTAL-DESIGN AND TECHNOLOGICAL WORK

Article 769. Agreements on fulfillment of scientific-research, experimental-design and technological work

1. In accordance with the agreement on fulfillment of scientific-research work, the executor promises to perform the scientific research specified by the technical assignment of the customer, and in accordance with the agreement on fulfillment of experimental-design and technological work—to develop a prototype of a new product, design documentation for it, or a new technology. The customer, in turn, promises to accept the work and to pay for it.

2. The agreement with the executor may encompass the entire cycle of performing research, development and manufacture of prototypes, as well as individual stages (elements) thereof.

3. Unless otherwise specified by law or by the agreement, the risk of accidental impossibility of implementing the agreement on fulfillment of scientific-research work, experimental-design and technological work is assumed by the customer.

4. Conditions of the agreement on fulfillment of scientific-research, experimental-design and technological work must correspond to the laws and other legal statutes on exclusive rights (intellectual property).

Article 770. Performance of work

1. The executor is obligated to perform the scientific research personally. He has the right to involve third parties in implementing the agreement on fulfillment scientific-research work only with the consent of the customer.

2. In performance of the experimental-design and technological work, the executor has the right, unless otherwise specified by the agreement, to involve third parties in its fulfillment. The rules on general contractor and subcontractor (Article 706) are applied to the relations of the executor with such third parties.

Article 771. Confidentiality of information comprising object of agreement

1. Unless otherwise specified by the agreements on fulfillment of scientific-research work, experimental-design and technological work, the parties are obligated to ensure confidentiality of information concerning the subject of the agreement, the course of its fulfillment, and the obtained results. The volume of information deemed to be confidential is defined in the agreement.

2. Each of the parties promises to publicize the information which has been obtained in performance of the work, and which has been deemed to be confidential, only with the consent of the other party.

Article 772. Rights of the parties to results of work

1. The parties to agreements on fulfillment of scientific-research, experimental-design and technological work have the right to use the results of the work, including those subject to legal protection, within the limits and on the conditions specified in the agreement.

2. Unless otherwise specified by the agreement, the executor has the right to use the results of work handed over to him by the executor, including those subject to legal protection, and the executor has the right to use the results of the work obtained by him, for their own needs.

Article 773. Obligations of executor

1. The executor in agreements on fulfillment of scientific-research work, experimental-design and technological work is obligated to:

—perform the work in accordance with the technical assignment coordinated with the customer, and hand over the result to the customer;

—coordinate with the customer the need for using the protected results of intellectual activity belonging to third persons, and acquisition of rights to their use;

—through his own efforts and at his own expense, correct defects in the performed work for which he is at fault, and which could entail deviations from the technical-economic parameters specified in the technical assignment or in the agreement;

—immediately inform the customer upon determining the impossibility of obtaining the anticipated results or the inexpediency of continuing the work;

—guarantee the customer the transfer of results obtained in accordance with the agreement which do not violate the exclusive rights of other persons.

Article 774. Obligations of the customer

1. The customer in agreements on fulfillment of scientific-research, experimental-design and technological work is obligated to:

—hand over to the executor all information necessary for fulfillment of the work;

—accept the results of the completed work and pay for them.

2. The agreement may also specify the obligation of the customer to give the executor the technical assignment and to coordinate with him the program (technical-economic parameters) or thematics of the work.

Article 775. Consequences of impossibility of achieving results of scientific-research work

If in the course of the scientific-research work, it is determined that it is impossible to achieve results due to circumstances which do not depend on the executor, the customer is obligated to pay for the cost of the work performed prior to determination of impossibility of obtaining the results specified in the agreement on fulfillment of the scientific-research work, but no more than the appropriate portion of the price of the work specified in the agreement.

Article 776. Consequences of impossibility of continuing experimental-design and technological work

If in the course of fulfillment of the experimental-design and technological work it becomes apparent that it is impossible or inexpedient to continue work through no fault of the executor, the customer is obligated to pay for the expenses incurred by the executor.

Article 777. Liability of executor for violation of agreement

1. The executor bears liability to the customer for violation of agreements on fulfillment of scientific-research work, experimental-design and technological work, if he does not prove that such violation occurred through no fault of the executor (point 1, Article 401).

2. The executor is obligated to compensate the losses inflicted by him upon the customer, within the limits of the cost of the work in which the shortcomings were discovered, if the agreement specifies that they are subject to compensation within the limits of the overall cost of the work under the agreement. Unrealized benefits are subject to compensation only in cases specified by the agreement.

Article 778. Legal regulation of agreements on fulfillment of scientific-research, experimental design and technological work

The rules in Articles 708, 709 and 738 of the present Code, respectively, are applied to the terms of fulfillment and to the cost of the work, as well as to the consequences of failure of the customer to claim results of the work.

The rules of Articles 763-768 of the present Code are applied to state contracts for fulfillment of scientific-research work, experimental-design and technological work for state needs.

Chapter 39. COMPENSATED PROVISION OF SERVICES

Article 779. Agreement on compensated provision of services

1. According to the agreement on compensated provision of services, the executor promises, at the assignment of the customer, to provide a service (perform specific actions or implement certain activity), and the customer promises to pay for the indicated service.

2. The rules of the present article are applied to agreements on provision of communications services; medical, veterinary, auditor, consultation and information services; instructional services, tourist services and others, with the exception of services provided under agreements specified in Chapters 37, 38, 40, 41, 44, 45, 46, 47, 49, 51 and 53 of the present Code.

Article 780. Fulfillment of agreement on compensated provision of services

Unless otherwise specified by the agreement on compensated provision of services, the executor is obligated to personally perform the service.

Article 781. Payment for services

1. The customer is obligated to pay for the service provided to him within the times and in accordance with the procedure specified in the agreement on compensated provision of services.

2. In case of impossibility of fulfillment arising through fault of the customer, the services are subject to payment in full volume, unless otherwise specified in the law or in the agreement on compensated provision of services.

3. In the case when the impossibility of fulfillment arose due to circumstances for which neither of the parties is answerable, the customer compensates the executor for the expenditures actually incurred by him, unless otherwise specified by law or by the agreement on compensated provision of services.

Article 782. Unilateral refusal to fulfill agreement on compensated provision of services

1. The customer has the right to refuse fulfillment of the agreement on compensated provision of services under the condition that he pay the executor for the expenditures actually incurred by him.

2. The executor has the right to refuse fulfillment of the obligations under the agreement on compensated

provision of services only under the condition of full compensation of losses to the customer.

Article 783. Legal regulation of agreement on compensated provision of services

General principles on the contract (Articles 702-729) and principles on the consumer contract (Articles 730-739) are applicable to the agreement on compensated provision of services, provided this does not contradict Articles 779-782 of the present Code, and likewise the specifics of the object of the agreement on compensated provision of services.

Chapter 40. SHIPPING

Article 784. General principles on shipping

1. Shipping of cargo, passengers and baggage is performed on the basis of the shipping agreement.

2. General conditions of shipping are defined by the transport charters and codes, other laws, and rules issued in accordance with them.

Conditions of shipping cargo, passengers and baggage by individual types of transport, and likewise the responsibility of the parties for these shipments, are defined by agreement of the parties, unless otherwise specified by the present Code, transport charters and codes, other laws and rules issued in accordance with them.

Article 785. Cargo shipping agreement

1. According to the agreement on cargo shipping, the carrier (shipper) promises to deliver the cargo entrusted to him by the consigner (sender) to the point of destination, and to issue it to the party (consignee) authorized to receive the cargo. The consigner, in turn, promises to pay a specified payment for the shipment of the cargo.

2. Conclusion of the agreement on cargo shipping is confirmed by the compilation and issuance to the cargo shipper of a transport order (bill of lading or other document on cargo specified by the appropriate transport charter or code).

Article 786. Agreement on passenger transport

1. According to the agreement on passenger transport, the carrier promises to transport the passenger to his point of destination, and if the passenger checks baggage—to also deliver the baggage to the point of destination and issue it to the person authorized to receive the baggage. The passenger, in turn, promises to pay the specified payment for the passage (fare), and if he checks baggage—also for the transport of the baggage.

2. Conclusion of the agreement on passenger transport is certified by a ticket, and checking of baggage by the passenger—by a baggage claim check.

The form of the ticket and the baggage claim check are established in accordance with the procedure specified by the transport charters and codes.

3. The passenger has the right, specified by the appropriate transport charter or code:

—to transport children with him, free of charge or on other preferential conditions;

—to transport with him, free of charge, carry-on luggage within the limits of the established norms;

—to check baggage for transport, for payment at the specified rate.

Article 787. Charter agreement

According to the charter agreement, one party (issuer of charter) promises to give to the other party (charter party) for payment, all or part of the capacity of one or several transport means for one or several routes for the transport of passengers, baggage and cargo.

The order of concluding the charter agreement, and likewise the form of the said agreement are specified by the transport charters and codes.

Article 788. Direct mixed transit

Mutual relations of transport organizations in the shipment of cargo, passengers and baggage by different types of transport according to a single transport document (direct mixed transit), and likewise the order of organization of these shipments, are defined by agreements between the organizations of the appropriate types of transport, concluded in accordance with the law on direct mixed (combined) shipments.

Article 789. Shipping by general use transport

1. Shipping performed by a commercial organization is considered to be shipping by general use transport, if the law, other legal statutes or the permit (license) issued to this organization infer that this organization must perform transport of passengers, cargo and baggage at the request of any citizen or legal entity.

The list of organizations obligated to perform shipments which are deemed to be shipments by general use transport, is published in accordance with the established procedure.

2. The agreement of shipping by general use transport is a public agreement (Article 426).

Article 790. Shipping charges

1. The payment specified by agreement of the parties is charged for transport of cargo, passengers and baggage, unless otherwise specified by law or other legal statutes.

2. The payment for transport of cargo, passengers and baggage by general use transport is determined on the basis of the rates, ratified in accordance with the procedure specified by the transport charters and codes.

3. Work and services performed at the demand of the owners of the cargo and not provided by tariffs are paid for by agreement of the parties.

4. The carrier has the right to withhold the cargo given to him for shipment to ensure payment of the shipping charges which are due to him, as well as other shipping fees (Articles 359, 360), unless otherwise specified by law, other legal statutes, or by the shipping agreement, or results from the essence of the obligation.

5. In cases when in accordance with the law or other legal statutes, preferences or benefits in transit fare for transport of cargo, passengers and baggage are established, the expenditures incurred in connection with this are compensated by the transport organization at the expense of appropriate budget funds.

Article 791. Provision of transport means, loading and unloading of cargo

1. The carrier is obligated to provide to the consigner of the cargo, for loading and within the time specified in the request (order), shipping agreement or agreement on organization of shipping received from him, transport means which are in good working order and in a condition suitable for shipment of the appropriate cargo.

The consigner of the cargo has the right to refuse the transport means which have been provided if they are not suitable for shipment of the appropriate cargo.

2. Loading (unloading) of cargo is performed by the transport organization or by the consigner (or consignee) in accordance with the procedure specified in the agreement and with adherence to the rules specified in the transport charters, codes and other rules issued in accordance with them.

3. Loading (unloading) of cargo which is performed through the efforts and means of the consigner (consignee) of the cargo must be performed within the times specified in the agreement, if such times are not specified by the transport charters and codes and the rules issued in accordance with them.

Article 792. Time of delivery of cargo, passengers and baggage

The carrier is obligated to deliver the cargo, passengers or baggage to the point of destination within the times specified in accordance with the procedure provided in the transport charters and codes, and in the absence of such times—within a reasonable time.

Article 793. Liability for violation of obligations on shipping

1. In case of non-fulfillment or improper fulfillment of the obligations on shipping, the parties bear the liability specified by the present Code, transport charters and codes, and also by mutual agreement of the parties.

2. Agreements of transport organizations with passengers and owners of cargo regarding limitation or removal of liability specified by law are invalid, with the exception of cases when the possibility of such agreements in the course of performing cargo shipment is specified by the transport charters and codes.

Article 794. Liability of carrier for failure to provide transport means and of consigner for failure to utilize provided transport means

1. The carrier, for failure to provide transport means for shipment of cargo in accordance with the accepted order or other agreement, and the consigner—for failure to provide the cargo or failure to utilize the provided transport means for other reasons, bear liability specified by the transport charters and codes, and also by agreement of the parties.

2. The carrier and consigner of the cargo are absolved of liability in case of failure to provide the transport means or failure to utilize the provided transport means, if this occurred as a result of:

insurmountable force, and likewise other phenomena of an elemental character (fire, snow-drift, flood) and military actions;

—termination or limitation of shipment of cargo in specific directions or along specific routes, as specified in the order provided by the appropriate transport charter or code;

—other cases specified by the transport charters and codes.

Article 795. Liability of carrier for delay in departure of passenger

1. For delay in departure of transport means for transit of passengers or delay in arrival of transport means to its point of destination (with the exception of transit

in urban and suburban commutes), the carrier pays the passenger a fine in the amount specified by the appropriate transport charter or code, if he does not prove that the delay or late arrival occurred as a result of an insurmountable force, correction of disrepair in the transport means threatening the life and health of passengers, or other circumstances beyond the carrier's control.

2. In the case of the passenger's refusal of transport due to delay in departure of the transport means, the carrier is obligated to refund the passenger's fare.

Article 796. Liability of carrier for loss, shortage and damage (spoilage) of cargo or baggage

1. The carrier is liable for lack of safekeeping of the cargo or baggage which occurred after its acceptance for shipment and prior to delivery to the consignee, the person authorized by him, or the person authorized to claim the baggage, if [the carrier] does not prove that the loss, shortage or damage (spoilage) of the cargo or baggage occurred as a result of circumstances which he could not prevent and whose correction did not depend on him.

2. Loss incurred during shipment of cargo or baggage is compensated by the carrier:

—in the case of loss or shortage of cargo or baggage—in the amount of the value of the lost or shorted cargo or baggage;

—in the case of damage (spoilage) of the cargo or baggage—in the amount of the sum by which its value was reduced, and if it is impossible to restore the damaged cargo or baggage—in the amount of its value;

—in the case of loss of cargo or baggage checked in for shipment with declaration of its value—in the amount of the declared valuation of the cargo or baggage.

The value of the cargo or baggage is determined based on its price, as stated in the bill of sale or as specified by agreement, and in the absence of the bill of sale or indication of price in the agreement—based on the price which under comparable circumstances is generally charged for analogous goods.

3. The carrier, along with compensation of the determined damages associated with the loss, shortage, or damage (spoilage) of the cargo or baggage, must refund to the shipper (consignee) the shipping fee collected for shipment of the lost, shorted, spoiled or damaged cargo or baggage, if this payment is not included in the cargo valuation.

4. Documents stating reasons for lack of safekeeping of cargo or baggage (commercial statute, statute of general form, etc.), compiled by the carrier in unilateral order, in case of dispute are subject to appraisal by the court along with other documents certifying the circumstances which may serve as grounds for liability of the carrier, shipper or consignee of the cargo or baggage.

Article 797. Complaints and claims regarding cargo shipments

1. Prior to filing claim stemming from shipment of cargo against a carrier, a complaint must necessarily be filed with him in accordance with the procedure specified by the appropriate transport charter or code.

2. The claim against a carrier may be filed by the cargo shipper or by the recipient (consignee) of the cargo in case of the carrier's full or partial refusal to satisfy the complaint, or if no response is received from the carrier within a 30-day period.

3. The statute of limitations on demands resulting from cargo shipment is set at one year from the moment determined in accordance with the transport charters and codes.

Article 798. Agreements on organization of shipments

In case of necessity to perform systematic shipment, the carrier and the cargo owner may conclude long-term agreements on organization of shipments.

According to the agreement on organization of cargo shipments, the carrier promises to accept the cargo for shipment within the specified times, and the cargo owner—to present it for shipment within the specified volume. The agreement on organization of cargo shipments specifies the volumes, terms and other conditions of provision of transport means and provision of cargo for shipment, the order of accounting, and likewise other conditions of organization of shipments.

Article 799. Agreements between transport organizations

Organizations of various types of transport may conclude with each other agreements on organization of work for provision of cargo shipment (central agreements, agreements for centralized delivery (haulage) of cargo and others).

The order of concluding these agreements is defined by the transport charters and codes, other laws and other legal statutes.

Article 800. Liability of carrier for infliction of harm to life or health of passenger

Liability of the carrier for harm inflicted to life or health of a passenger is defined in accordance with the rules in

Chapter 59 of the present Code, if the law or shipping agreement do not provide for increased liability of the carrier.

Chapter 41. TRANSPORT EXPEDITING

Article 801. Transport expediting agreement

1. According to the transport expediting agreement, one party (expediter) promises, for remuneration and at the expense of the other party (client—cargo consigner or cargo consignee), to perform or organize fulfillment of services associated with shipment of the cargo, as specified in the expediting agreement.

2. The transport expediting agreement may specify the expediter's obligations to organize shipment of the cargo by the form of transport and by the route selected by the expediter or the client; the obligation of the expediter to conclude agreement (agreements) of cargo shipment in the name of the client or in his own name; the obligation to ensure shipment and receipt of the cargo, and likewise other obligations associated with shipment of the cargo.

As additional services, the transport expediting agreement may also provide for performance of such operations necessary for delivery of the cargo as receipt of documents required for export or import; fulfillment of customs and other formalities; verification of the quantity and condition of the cargo; loading and unloading of the cargo; payment of customs duties, fees and other expenditures for which the client is responsible; storage of the cargo; receipt of the cargo at the point of destination, and also performance of other operations and services specified in the agreement.

2. The rules of the present chapter apply to cases when, in accordance with the agreement, the obligations of the expediter are fulfilled by the shipper.

3. Conditions of fulfillment of the transport expediting agreement are defined by mutual consent of the parties, unless otherwise specified by the law on transport expediting activity, other laws and other legal statutes.

Article 802. Form of transport expediting agreement

1. The transport expediting agreement is concluded in written form.

2. The client must issue the expediter a power of attorney, if it is necessary for fulfillment of his obligations.

Article 803. Liability of expediter under transport expediting agreement

For non-fulfillment or improper fulfillment of the obligations under the expediting agreement, the expediter bears liability on the grounds and in the amounts specified in accordance with the rules of Chapter 25 of the present Code.

If the expediter proves that the violation of obligation was caused by the improper fulfillment of shipping agreements, the liability of the expediter to the client is defined by the same rules according to which the appropriate shipper (carrier) answers to the expediter.

Article 804. Documents and other information provided to the expediter

1. The client is obligated to provide the expediter with documents and other information on the properties of the cargo, conditions of its shipment, and also any other information necessary for fulfillment of the expediter's responsibilities as specified in the transport expediting agreement.

2. The expediter is obligated to inform the client upon finding any shortcomings in the information received, and in the case of incompleteness of the information—to request from the client the necessary additional data.

3. If the client fails to present the necessary information, the expediter has the right not to begin fulfillment of the appropriate obligations until such information is presented.

4. The client bears liability for losses incurred by the expediter in connection with violation of the obligation to present information, as specified in point 1 of the present article.

Article 805. Fulfillment of expediter's obligations by third party

If from transport expediting agreement it does not ensue that the expediter must perform his obligations personally, the expediter has the right to engage other persons in the fulfillment of his obligations.

Placing fulfillment of obligation on a third party does not absolve the expediter of liability to the client for fulfillment of the agreement.

Article 806. Unilateral refusal to fulfill transport expediting agreement

Either party has the right to refuse fulfillment of the expediting agreement, upon notifying the other party of this fact within a reasonable time.

In the case of unilateral refusal to fulfill the agreement, the party which has stated refusal compensates the other party for the losses incurred as a result of termination of the agreement.

Chapter 42. LOANS AND CREDIT

#1. Loans

Article 807. Loan agreement

1. According to the loan agreement, one party (lender) hands over for ownership of the other party (borrower) money or goods defined by generic indicators, and the borrower promises to return to the lender the same sum of money (sum of loan) or an equal amount of goods received as by him, of the same type and quality.

The loan agreement is considered to be concluded from the moment of transfer of the money or other items.

2. Foreign currency and currency valuables may be the object of a loan agreement on the territory of the Russian Federation, with adherence to Articles 140, 141 and 317 of the present Code.

Article 808. Form of loan agreement

1. The loan agreement between citizens must be concluded in written form, if its sum exceeds no less than 10 times the minimal amount of the labor wage established by law, and in the case when the lender is a legal entity—regardless of the sum.

2. In confirmation of the loan agreement and its conditions, a receipt may be issued by the borrower, or some other document certifying that the lender has transferred to him a specific monetary sum or specified amount of goods.

Article 809. Interest under loan agreement

1. Unless otherwise specified by law or by the loan agreement, the lender has the right to receive interest from the borrower on the sum of the loan, within the amounts and in accordance with the procedure specified in the agreement. If the agreement does not specify the conditions of interest, its amount is determined by the bank accounting interest rate (refinancing rate) in effect at the place of residence of the lender, and if the lender is a legal entity—at the place of his location, on the day the borrower repays the debt or appropriate portion thereof.

2. In the absence of another agreement, interest is paid monthly until the entire sum of the loan is repaid.

3.. The loan agreement is presumed to be interest-free, unless it specifically states otherwise, in the following cases:

—when the agreement is concluded between citizens for a sum not exceeding 50 times the minimal amount of the labor wage established by law, and is not associated with performance of entrepreneurial activity by at least one of the parties;

—when, under the agreement, the borrower is given not money, but other items defined by generic indicators.

Article 810. Obligation of borrower to repay sum of loan

1. The borrower is obligated to repay the lender the received sum of the loan within the time and in accordance with the procedures which are specified by the loan agreement.

In cases when the term of repayment is not specified or defined by the moment of demand, the sum of the loan must be repaid by the borrower within 30 days from the day the lender makes such a demand, unless otherwise specified in the agreement.

2. Unless otherwise specified by the loan agreement, the sum of an interest-free loan may be repaid by the borrower ahead of the scheduled term.

The sum of a loan granted with interest may be repaid ahead of schedule with the consent of the lender.

3. Unless otherwise specified by the loan agreement, the sum of a loan is considered repaid at the moment of its transfer to the lender or crediting of the appropriate monetary means in his bank account.

Article 811. Consequences of lender's violation of loan agreement

1. Unless otherwise specified by law or by the loan agreement, in cases when the borrower does not return the sum of the loan on time, payment of interest is due on this sum in the amount specified in point 1, Article 395 of the present Code, from the day when it should have been repaid to the day of its repayment to the lender and regardless of payment of interest specified in point 1, Article 809 of the present Code.

2. If the loan agreement provides for repayment of the loan in parts (on term), upon the borrower's violation of the term specified for repayment of the next part of the loan, the lender has the right to demand early repayment of the entire remaining sum of the loan, along with the interest due.

Article 812. Challenging loan agreement

1. The borrower has the right to challenge the loan agreement by reason of lack of funding, proving that the money or other items were in fact not received by him from the lender, or were received in lesser amount than stated in the agreement.

2. If the loan agreement is to be executed in written form (Article 808), its challenge by reason of lack of funding is not permitted by means of witness testimony, with the exception of cases when the agreement was concluded under the influence of fraud, violence, threat, ill-intentioned agreement of the lender's representative with the borrower, or confluence of grave circumstances.

3. If in the process of the borrower's challenge of the loan agreement by reason of lack of funding, it is determined that the money or other items were actually not received from the lender, the loan agreement is considered not to have been concluded. When the money or other items were actually received by the borrower from the lender in lesser amount than stated in the agreement, the agreement is considered to have been concluded for this amount of money or items.

Article 813. Consequences of loss of provision for borrower's obligations

If the borrower fails to fulfill the obligations specified in the agreement on ensuring repayment of the sum of the loan, and likewise in the case of loss of provision or deterioration of its conditions for circumstances for which the lender is not responsible, the lender has the right to demand from the borrower the early repayment of the sum of the loan, along with payment of interest due, unless otherwise specified by the agreement.

Article 814. Special purpose loan

1. If a loan agreement is concluded with the condition that the borrower shall use the received funds for a defined purpose (special purpose loan), the borrower is obligated to ensure the possibility of the lender's implementing control over the special purpose application of the sum of the loan.

2. If the borrower fails to fulfill the condition of the loan agreement in regard to the special purpose application of the sum of the loan, and likewise if he violates the obligations specified in point 1 of the present article, the lender has the right to demand early repayment of the sum of the loan and payment of the interest due, unless otherwise specified by the agreement.

Article 815. Promissory note

In cases when, by mutual consent of the parties, the borrower has issued a promissory note certifying the unconditional obligation of the issuer of such promissory note (simple note) or other payer specified in the promissory note (transferrable note) to repay the monetary sum received on loan upon expiration of the term specified in the note, the relations of the parties under the promissory note are regulated by the law on transferrable and simple promissory notes.

From the moment of issuance of the promissory note, the rules of the present paragraph may be applied to these relations insofar as they do not contradict the law on transferrable and simple promissory notes.

Article 816. Bond

In the cases specified by law or other legal statutes, the loan agreement may be concluded by means of issuance and sale of bonds.

The bond is a security certifying the right of its bearer to receive from the person entering into the obligation the face value of the bond or other property equivalent, payable at the time specified in it. The bond also grants its holder the right to receive the fixed interest on the nominal value of the bond or other property rights.

The rules of the present paragraph apply to relations between the person entering into the obligation and the holder of the bond insofar as other provision is not by made by law or by the procedures established in accordance with it.

Article 817. State loan agreement

1. According to the state loan agreement, the borrower is the Russian Federation or subject of the Russian Federation, and the lender is a citizen or legal entity.

2. State loans are voluntary.

3. The state loan agreement is concluded by means of the lender's acquisition of issued state bonds or other state securities, certifying the right of the lender to receive from the borrower the monetary means granted to it in the form of a loan or, depending on the conditions of the loan, other property, along with payment of specified interest or other property rights within the times specified by the conditions of the loan issue.

4. Change in conditions of a loan issue is not permitted.

5. The rules on the state loan agreement are applied respectively to loans issued by municipal formations.

Article 818. Novation of debt to loan bond

1. By mutual consent of the parties, a debt arising from purchase and sale or lease of property, or on other grounds, may be replaced by a loan bond.

2. The replacement of a debt with a loan bond is performed with adherence to the requirements on novation (Article 414), and is performed in the form specified for conclusion of the loan agreement (Article 808).

#2. Credit

Article 819. Credit agreement

1. According to the credit agreement, a bank or other credit organization (creditor) promises to grant monetary funds (credit) to the borrower in the amount and on the conditions specified in the agreement, and the borrower promises to repay the received monetary sum and to pay the interest on it.

2. The rules specified in paragraph one of the present article apply to relations under the credit agreement, unless otherwise specified by the rules of the present paragraph and does not result from the essence of the credit agreement.

Article 820. Form of credit agreement

The credit agreement must be concluded in written form.

Failure to adhere to the written form entails invalidity of the credit agreement. Such agreement is considered null and void.

Article 821. Refusal to grant or accept credit

1. The creditor has the right to refuse to grant the borrower the credit specified in the agreement, in full or in part, in the presence of circumstances clearly testifying to the fact that the sum granted to the borrower will not be repaid on time.

2. The borrower has the right to refuse acceptance of the credit in full or in part, having notified the creditor of this fact prior to the term of presentation of such credit specified in the agreement, unless otherwise specified by law, other legal statutes or by the credit agreement.

3. If the borrower violates the obligations of special purpose application of the credit (Article 814) specified in the credit agreement, the creditor also has the right to refuse further crediting of the borrower under the agreement.

#3. Commodity and commercial credit

Article 822. Commodity credit

The parties may conclude an agreement specifying the obligation of one party to grant the other party items defined by generic indicator (commodity credit agreement). The rules of paragraph 2 of the present chapter are applied to such agreement, unless otherwise specified by such agreement or results from the essence of the obligation.

Conditions on the quantity, assortment, complement, quality, tare and (or) packaging of the presented goods must be fulfilled in accordance with the rules on the agreement on purchase-sale of goods (Articles 465-485), unless otherwise specified by the commodity credit agreement.

Article 823. Commercial credit

1. Agreements whose fulfillment is associated with the transfer of monetary sums or goods defined by generic indicators to ownership by the other party may provide for granting credit, including in the form of an advance, prepayment, deferred payment and term payment for the goods, work or services (commercial credit), unless otherwise specified by law.

2. The rules of the present chapter are respectively applied to commercial credit, if the rules on the agreement from which the appropriate obligation arose do not specify otherwise and if this does not contradict the essence of such obligation.

Chapter 43. FINANCING UNDER CONCESSION OF MONETARY DEMAND

Article 824. Agreement on financing under concession of monetary demand

1. In accordance with the agreement on financing under concession of monetary demand, one party (finance agent) hands over or promises to hand over to the other party (client) monetary means to be applied toward the monetary demand of the client (creditor) to a third person (debtor), stemming from the client's delivery of goods, fulfillment of work or provision of services to a third person. The client, in turn, concedes or promises to concede this monetary demand to the finance agent.

The monetary demand to the debtor may be conceded by the client to the finance agent also for purposes of ensuring fulfillment of the client's obligations to the finance agent.

2. Obligations of the finance agent under the agreement on financing under concession of monetary demand may include the performance of bookkeeping accounting for the client, as well as presentation of other financial services to the client, associated with monetary demands which comprise the object of concession.

Article 825. Finance agent

Banks and other credit organizations, and likewise other commercial organizations having permission (license) to perform activity of this type, may conclude agreements on financing under concession of monetary demand, acting in the capacity of the finance agent.

Article 826. Monetary demand conceded for purposes of obtaining financing

1. The object of concession for which financing is granted may be a monetary demand whose term of payment has already ensued (existing demand), as well as a right to receive monetary funds which will arise in the future (future demand).

A monetary demand which is the object of concession must be defined in the agreement of the client with the finance agent in such a way as to make it possible to identify the existing demand at the moment of conclusion of the agreement, and a future demand—no later than at the moment of its emergence.

2. In concession of a future monetary demand, it is considered as having passed to the finance agent after the right to receive from the debtor monetary means, which are the object of concession of demand specified in the agreement, has arisen. If the concession of monetary demand is conditional upon a certain event, it becomes effective after the onset of this event.

No additional formulation of concession of monetary demand is required in these cases.

Article 827. Liability of client to finance agent

1. If the agreement on financing under concession of monetary demand does not specify otherwise, the client is liable to the finance agent for the invalidity of the monetary demand which is the object of concession.

2. The monetary demand which is the object of concession is deemed valid if the client possesses the right to transfer the monetary demand, and at the moment of concession of this demand does not know of any circumstances which might give the debtor the right not to fulfill said demand.

3. The client is not liable for the debtor's non-fulfillment or improper fulfillment of a demand which is the object of concession, in the case of its presentation by the finance agent for fulfillment, unless otherwise specified by the agreement between the client and the finance agent.

Article 828. Invalidity of prohibition of concession of monetary demand

1. Concession to a finance agent of a monetary demand is valid, even if there is an agreement between its client and his debtor regarding its prohibition or limitation.

2. The principle specified by point 1 of the present article does not absolve the client of obligations or liability to the debtor in connection with concession of the demand in violation of the agreement on its prohibition or limitation which exists between them.

Article 829. Subsequent concession of monetary demand

If the agreement on financing under concession of monetary agreement does not specify otherwise, subsequent concession of a monetary demand by a finance agent is not permitted.

In the case when subsequent concession of monetary demand is permitted by the agreement, the principles of the present chapter are respectively applied to it.

Article 830. Debtor's fulfillment of monetary demand to finance agent

1. A debtor is obligated to perform payment to the finance agent under the condition that he received from the client or from the finance agent a written notification of concession of monetary demand to the given finance agent, and that the notification specifies the subsequent fulfillment of the monetary demand, and also indicates the finance agent to whom payment must be made.

2. At the request of the debtor, the finance agent is obligated to present to the debtor, within reasonable time, proof of the fact that the concession of the monetary demand to the finance agent actually took place. If the finance agent does not fulfill this obligation, the debtor has the right to perform payment under the said demand to the client, in fulfillment of his obligation to the latter.

3. Fulfillment of monetary demand by the debtor to the finance agent in accordance with the rules of the present chapter absolves the debtor from corresponding obligation to the client.

Article 831. Rights of finance agent to sums received from the debtor

1. If, in accordance with the conditions of the agreement on financing under concession of monetary demand, the financing of a client is performed by means of purchase of this demand from him by the finance agent, the latter acquires the right to all sums which he will receive from the debtor in fulfillment of the demand, and the client bears no liability to the finance agent for the fact that the sums received by him proved to be less than the price for which the agent acquired the demand.

2. If the concession of monetary demand to the finance agent is performed for purposes of ensuring fulfillment of an obligation to him by a client, and if the agreement on financing under concession of demand does not specify otherwise, the finance agent is obligated to give

an accounting to the client and to hand over to him the sum exceeding the sum of the client's debt secured by concession of the demand. If the monetary means received by the finance agent from the debtor prove to be less than the sum of the client's debt to the finance agent which is secured by the concession of demand, the client remains liable to the finance agent for the remainder of the debt.

Article 832. Counter demands of the debtor

1. If the finance agent presents a demand to the debtor to perform payment, the debtor has the right, in accordance with Articles 410-412 of the present Code, to submit to accounting his monetary demands based on agreement with the client, which the debtor already had at the time of his receipt of notification of concession of demand to the finance agent.

2. Demands which the debtor may present to the client in connection with violation of the said agreement on prohibition or limitation of concession of demand do not apply to the finance agent.

Article 833. Return to debtor of sums received by finance agent

1. If the client violates his obligations under the agreement concluded with the debtor, the latter does not have the right to demand from the finance agent a refund of the sums already paid to him under the demand which has passed to the finance agent, if the debtor is entitled to receive such sums directly from the client.

2. The debtor who has the right to receive directly from the client the sums paid to the finance agent as a result of concession of demand nevertheless has the right to demand refund of these sums by the finance agent, if it is proven that the latter did not fulfill his obligation to pay the client the promised payment associated with concession of demand, or if he performed such payment knowing of the client's violation of said obligation to the debtor to whom the payment associated with concession of demand was due.

Chapter 44. BANK DEPOSIT

Article 834. Bank deposit agreement

1. According to the bank deposit agreement, one party (bank), which has accepted the monetary sum (deposit) received from the other party (depositor), or received for it, promises to return the sum of deposit and to pay interest on it, on the conditions and in accordance with the procedure specified by the agreement.

2. The bank deposit agreement in which the depositor is a citizen is deemed to be a public agreement (Article 426).

3. The rules of the agreement on bank accounts (Chapter 45) are applicable to the relations of the bank with the depositor for the account in which deposit is made, unless otherwise specified by the rules of the present chapter or results from the essence of the bank deposit agreement.

Legal entities do not have the right to transfer the monetary means held on deposit (deposits) to other persons.

4. The rules of the present chapter relating to banks are also applied to other credit organizations which accept deposits from legal entities in accordance with the law.

Article 835. Right to attract monetary means for deposit

1. Banks, to whom such right has been granted in accordance with a permit (license) issued in the order established in accordance with the law, have the right to attract monetary means for deposit.

2. If a party which does not have the right to do so accepts a deposit from a citizen, or does so in violation of the order specified by law and by the banking regulations adopted in accordance with it, the depositor may demand immediate return of the sum of deposit, and likewise payment of interest on it, as specified by Article 395 of the present Code, as well as compensation, over the sum of interest, of all losses inflicted upon the depositor.

If such party accepts the monetary funds of a legal entity on conditions of a bank deposit agreement, such agreement is invalid (Article 168).

3. Unless otherwise specified by law, the consequences provided by point two of the present article are applied also in the following cases:

—attracting monetary funds of citizens and legal entities by means of selling them shares of stock and other securities whose issuance is deemed unlawful.

—attracting monetary funds for deposit for promissory notes or other securities which exclude receipt of said deposit by their holders upon first demand, or exercise of other rights by the depositor as specified in the rules of the present chapter;

Article 836. Form of bank deposit agreement

1. The bank deposit agreement must be concluded in written form.

The written form of the bank deposit agreement is considered fulfilled if the deposit entry is certified by a savings passbook, savings or deposit certificate, or other document issued to the depositor by the bank which meets the requirements specified for such documents by law, by the banking regulations established in accordance with it, and by the customs of business practice applied in banking.

2. Failure to adhere to the written form of the bank deposit agreement entails invalidity of this agreement. Such agreement is null and void.

Article 837. Types of deposits

1. The bank deposit agreement is concluded on the conditions that the deposit shall be returned upon first demand (deposit payable on demand), or on conditions of returning the deposit upon expiration of a term specified in the agreement (term deposit).

The agreement may provide for making deposits on other conditions of their return which do not contradict the law.

2. According to a bank deposit agreement of any type, the bank is obligated to pay out the sum of the deposit or a portion thereof upon first demand of the depositor, with the exception of deposits made by legal entities on other conditions of return specified by the agreement. A condition of the agreement specifying a citizen's rejection of his right to receive his deposit upon first demand is invalid.

3. In cases when a term or other deposit, except a deposit payable upon demand, is returned to the depositor at his demand prior to expiration of the term or prior to the onset of other circumstances specified in the bank deposit agreement, the interest on the deposit is paid out in an amount corresponding to the amount of interest paid by the bank on deposits payable upon demand, if the agreement does not specify a different amount of interest.

4. In cases when the depositor does not demand return of the sum of a term deposit upon expiration of the term, or the sum of deposit made on other conditions of return—upon onset of the circumstances specified in the agreement, the agreement is considered to be prolonged under the conditions of deposit upon demand, unless otherwise specified by the agreement.

Article 838. Interest on deposit

1. The bank pays the depositor interest on the sum of the deposit at a rate specified in the bank deposit agreement.

If the agreement does not specify the condition on rate of interest paid, the bank is obligated to pay interest at the rate determined in accordance with point 1, Article 809 of the present Code.

2. Unless otherwise specified by the bank deposit agreement, the bank has the right to change the rate of interest payable on deposits which are redeemable upon demand.

If the bank reduces the interest rate, the new interest rate is applicable to deposits made prior to notification of depositors of the reduced interest rate upon expiration of a month from the moment of the appropriate notification, unless otherwise specified by agreement.

3. The interest rate specified by the bank deposit agreement on a deposit made by a citizen on conditions of its redemption upon expiration of a specified term or upon the onset of circumstances specified in the agreement, may not be reduced in unilateral order by the bank, unless otherwise specified by law. Under the agreement of such bank deposit, concluded by the bank with a legal entity, the amount of interest may not be changed in unilateral order, unless otherwise specified by law or by the agreement.

Article 839. Order of computation and payment of interest on deposit

1. Interest on the sum of a bank deposit is computed from the day following the day of its deposit in the bank and until the day preceding its return to the investor or removal from the depositor's account for some other reason.

2. Unless otherwise specified by the bank deposit agreement, interest on the sum of a bank deposit is paid to the depositor at his demand upon expiration of each quarter, separately from the sum of the deposit. Interest which is not demanded at this time is credited toward the sum of the deposit, on which interest is again accrued.

Upon return of the deposit, all interest accrued by this time is paid out.

Article 840. Provision for return of deposit

1. Banks are obligated to ensure return of deposits of citizens by means of mandatory insurance, and in the cases specified by law—also by other methods.

Return of deposits of citizens by a bank in whose statutory capital over 50 percent of the stock or shares of participation are held by the Russian Federation and (or) subjects of the Russian Federation, as well as municipal formations, is guaranteed by their subsidiary liability for depositor demands to the bank in accordance with the procedure specified in Article 399 of the present Code.

2. Methods of ensuring the bank's return of deposits of legal entities are defined by the agreement.

3. At the time of concluding the bank deposit agreement, the bank is obligated to provide the depositor information on provision for return of the deposit.

4. If the bank fails to fulfill the obligations for ensuring return of the deposit specified by law or by the bank deposit agreement, and likewise in the case of loss of such provision or deterioration of its conditions, the depositor has the right to demand from the bank the immediate return of the sum of deposit, payment of interest on it in the amount defined in accordance with point 1, Article 809 of the present Code, and compensation of the inflicted losses.

Article 841. Third party deposit of monetary sums into depositor's account

Unless otherwise specified by the bank deposit agreement, monetary sums received by the bank from third persons in the name of the depositor, and with indication of the necessary account data, are credited to the depositor's account. In this case, it is presumed that the depositor has expressed his consent to receive the monetary funds from such persons, having provided them with the necessary data regarding his deposit account.

Article 842. Deposits in favor of third parties

1. A deposit may be made in a bank in the name of a specified third person. Unless otherwise stipulated in the bank deposit agreement, such person acquires the right of depositor from the moment of his submission of first demand to the bank, based on such rights, or his expression of intent to exercise such rights by some other means to the bank.

Indication of the name of the citizen (Article 19) or name of the legal entity (Article 54) in whose favor the deposit is being made is a significant condition for the appropriate bank deposit agreement.

The bank deposit agreement in favor of a citizen who is deceased at the time of conclusion of the agreement, or of a legal entity which is non-existent by that time, is invalid.

2. Prior to a third party's expression of intent to exercise the rights of depositor, the person concluding the bank deposit agreement may exercise the rights of depositor in regard to the monetary funds which he has deposited in the account.

3. The rules on the agreement in favor a third party (Article 430) are applied to the bank deposit agreement in favor of a third party, if this does not contradict the rules of the present article and the essence of the bank deposit.

Article 843. Savings passbook

1. Unless otherwise specified by mutual consent of the parties, conclusion of a bank deposit agreement with a citizen and deposit of monetary funds into his account is certified by a savings passbook. The bank deposit agreement may specify issuance of a nominal savings passbook or a savings passbook payable to the bearer. The savings passbook payable to the bearer is a security.

The savings passbook must show indication and bank certification of the name and location of the bank (Article 54), and if the deposit was made at a branch, also its appropriate branch, and the account number, as well as all the sums of monetary funds credited to the account, all sums of monetary funds withdrawn from the account, and the monetary funds remaining in the account at the moment the savings passbook is presented to the bank.

Unless a different status of deposit is proven, the data on deposit indicated in the savings passbook constitute grounds for deposit accounting between the bank and the depositor.

2. Issuance of the deposit, payment of interest on it and fulfillment of the depositor's instructions on transferring monetary funds from his deposit account to other persons is performed by the bank upon presentation of the savings passbook.

If a nominal savings passbook is lost or brought to a condition unsuitable for presentation, at the depositor's request the bank issues him a new savings passbook.

Restoration of rights under a lost savings passbook payable to the bearer is performed in accordance with the procedure specified for securities payable to the bearer (Article 148).

Article 844. Savings (deposit) certificate

1. A savings (deposit) certificate is a security certifying the sum of deposit made in the bank, and the rights of the depositor (bearer of the certificate) to receive the sum of deposit and the interest specified in the certificate at the bank issuing the certificate, or at any branch of this bank, upon expiration of the specified term.

2. Savings (deposit) certificates may be payable to the bearer or nominal.

3. In case of early presentation of a savings (deposit) certificate for payment, the bank pays out the sum of the deposit and the interest paid on deposits payable

upon demand, if the conditions of the certificate do not specify a different interest rate.

Chapter 45. BANK ACCOUNT

Article 845. Bank account agreement

1. According to the bank account agreement, the bank promises to accept and credit monetary funds to the account opened by the client (account holder), and to fulfill the client's instructions regarding transfer and payment of appropriate sums from the account and performance of other operations on the account.

2. The bank may use the monetary funds in the account, guaranteeing the client's right of unhindered management of these funds.

3. The bank does not have the right to define and control the direction of application of the client's monetary funds or to establish other limitations to his right to manage the monetary means at his discretion, if such limitations are not specified by law or by the bank account agreement.

4. The rules of the present chapter relating to banks are applied also to other credit organizations in their conclusion and fulfillment of the bank account agreement in accordance with an issued permit (license).

Article 846. Conclusion of bank account agreement

1. In concluding the bank account agreement, an account is opened at a bank for the client or person specified by him, on conditions mutually agreed upon by the parties.

2. The bank is obligated to conclude the agreement with the client who has offered to open the account on the conditions announced by the bank for opening accounts of this type, which correspond to the requirements specified by law and by the banking rules established in accordance with it.

The bank does not have the right to refuse to open an account, if performance of appropriate operations on it are specified by law, by the constituent documents of the bank and by the permit (license) issued to it, with the exception of cases when such refusal is caused by the bank's inability to provide banking services, or permitted by law or other legal statutes.

In the case of a bank's unsubstantiated refusal to conclude a bank account agreement, the client has the right to present to it the demands specified in point 4, Article 445 of the present Code.

Article 847. Verification of right of managing monetary funds held in account

1. The right of a person who in the name of the client issues the order to transfer and pay out funds from an account is verified by the client by means of presenting to the bank documents specified by law, the banking rules established in accordance with it, and the bank account agreement..

2. The client may give the bank instructions to withdraw the monetary funds from the account at the demand of third parties, including instructions associated with the client's fulfillment of his obligations to these parties. The bank accepts these instructions under the condition that the necessary data are specified in them in written form, making it possible to identify the person who has the right to issue such instructions.

3. The agreement may specify verification of the rights to manage monetary sums held on account by electronic means of payment and other documents with the use of analogs of individual signatures (point 2, Article 160), codes, passwords and other means to confirm that the instruction was issued by an authorized person.

Article 848. Account operations performed by bank

The bank is obligated to perform for the client operations specified for accounts of this type by the law, banking regulations established in accordance with it, and generally applied customs of banking practice, if the bank account agreement does not specify otherwise.

Article 849. Terms of account operations

The bank is obligated to credit monetary funds to the client's account no later than the day following the day of receipt of the appropriate payment document by the bank, if a shorter time is not specified by the bank account agreement.

At the instruction of the client, the bank is obligated to pay out or transfer monetary funds from the client's account no later than the day following the day of the bank's receipt of the appropriate payment document, if different terms are not specified by the law, other banking regulations issued in accordance with it, or by the bank account agreement.

Article 850. Crediting account

1. In cases when, in accordance with the bank account agreement, the bank performs payment from an account despite the absence of monetary funds in this account (crediting account), the bank is considered to have granted the client credit for the appropriate sum from the day such payment is made.

2. The rights and obligations of the parties associated with crediting of the account are defined by the rules on loans and credit (Chapter 42), unless otherwise specified by the bank account agreement.

Article 851. Payment of bank expenditures for performance of account operations

1. In cases specified by the bank account agreement, the client pays for the bank's services in performing operations with monetary funds held in the account.

2. Payment for bank services specified in point 1 of the present article may be collected by the bank at the end of each quarter from the client's monetary funds held in the account, unless otherwise specified by the agreement.

Article 852. Interest for bank's use of monetary funds held in account

1. Unless otherwise specified by the bank account agreement, the bank pays interest for the use of the monetary funds held in the client's account, with the sum of such interest being credited to the account.

The sum of interest is credited to the account at the times specified in the agreement, and when such times are not specified in the agreement—at the end of each quarter.

2. Interest indicated in point 1 of the present article is paid by the bank at the rate specified by the bank account agreement, and in the absence of the appropriate condition in the agreement—at the rate generally paid by banks on deposits payable upon demand (Article 838).

Article 853. Discounting counter-demands of bank and client to account

1. Monetary demands of the bank to the client associated with crediting the account (Article 850) and payment for bank services (Article 851), and likewise client demands to the bank on payment of interest for use of monetary funds (Article 852) are settled by discounting (Article 410), unless otherwise specified in the bank account agreement.

Discounting of the indicated demands is performed by the bank. The bank is obligated to inform the client of the performed accounting in accordance with the procedure and within the times which are specified in the agreement, and if the corresponding conditions have not been coordinated by the parties, in the order and within the times which are customary in banking practice for presenting clients information on the status of monetary funds in the appropriate account.

Article 854. Grounds for writing off monetary funds from account

1. Writing off monetary funds from an account is performed by the bank on the basis of the client's instructions.

2. Without the client's instruction, write-off of monetary funds kept in an account is permitted only at the decision of the court, and likewise in other cases specified by law or provided by mutual agreement between the bank and the client.

Article 855. Sequence of writing off monetary funds from accounts

1. If the account contains monetary funds whose sum is sufficient to satisfy all demands presented against the account, write-off of these funds from the account is performed in the order of receipt of client instructions and other documents for write-off (calendar sequence), unless otherwise specified by law.

2. In case of insufficient monetary funds in the account to satisfy all the demands presented against it, monetary funds are written off in the the following sequence:

—first of all, write-offs are made under executive documents providing for transfer or withdrawal of monetary funds from the account to meet demands on compensation of harm inflicted to life and health, and likewise demands on payment of alimony;

—secondly, write-offs are made under executive documents providing for transfer or withdrawal of monetary funds in accounting for payment of severance pay and labor wages to persons working under labor agreement, including under contract, and for payment of remunerations under authorship agreements;

—thirdly, write-offs are made under payment documents specifying payments to the budget and to extra-budgetary funds;

—fourthly, write-offs are made under executive documents providing for satisfaction of other monetary demands;

—fifthly, write-offs are made according to other payment documents in the order of calendar sequence.

Writing off funds from the account for demands related to a single sequence is performed in the order of receipt of the documents.

Article 856. Liability of bank for improper performance of account operations

In cases of untimely posting of monetary funds deposited in a client's account or their unjustified write-off by the bank from the account, and likewise failure to fulfill the client's instructions on transfer of monetary funds from the account or on their payment from the account, the bank is obligated to pay interest on this sum in accordance with the procedure and in the amount specified in Article 395 of the present Code.

Article 857. Confidential bank information

1. The bank guarantees confidentiality of the bank account and bank deposits, as well as account operations and client information.

2. Information which comprises confidential bank information may be granted only to the clients themselves or to their representatives. Such information may be provided to state agencies and their officials exclusively in the cases and in accordance with the procedure specified by law.

3. In case of the bank's divulgence of information which comprises a bank confidence, the client whose rights have been violated has the right to demand full compensation of inflicted losses from the bank.

Article 858. Limitation of account disposition

Limitation of the client's rights to dispose of the monetary funds in his account is not permitted, with exception of cases of imposition of arrest on the monetary funds held in the account or placement of a hold on the account operations in the cases specified by law.

Article 859. Dissolution of bank account agreement

1. The bank account agreement may be dissolved at the request of the client at any time.

2. At the demand of the bank, the bank account agreement may be dissolved by the court in the following cases:

—when the sum of monetary funds kept in the client's account falls below the minimal amount specified by banking regulations or by the agreement, if such sum is not restored within a month from the day the bank gives warning of this fact;

—in the absence of operations on this account for a year, unless otherwise specified by the agreement.

3. The monetary funds remaining in the account are paid out to the client or, at his instruction, transferred to another account no later than 7 days after receipt of appropriate written request of the client..

3. Dissolution of the bank account agreement constitutes grounds for closing the client's account.

Article 860. Bank accounts

The rules of the present chapter apply to correspondence accounts, correspondence sub-accounts, and other bank accounts, unless otherwise specified by law, other legal statutes, or by the banking regulations established in accordance with them.

Chapter 46. ACCOUNTING

#1. General principles on accounting

Article 861. Cash and non-cash accounting

1. Accounting with participation of citizens not associated with engaging in entrepreneurial activity may be performed in cash (Article 140) without limitation of sum, or by means of non-cash transaction.

2. Accounting between legal entities, and likewise accounting with the participation of citizens associated with engaging in entrepreneurial activity, is performed by means of non-cash transactions. Accounting between these persons may also be performed in cash, unless otherwise specified by law.

3. Non-cash accounting is performed through banks and other credit organization (henceforth—banks), in which the appropriate accounts have been opened, unless otherwise resulting from the law or specified by the form of accounting selected.

Article 862. Forms of non-cash accounting

1. In implementing non-cash accounting, accounting by payment authorizations, letters of credit, checks, or accounting through payment collections is permitted, and likewise accounting in other forms specified by the law, the banking regulations established in accordance with it, and the generally applied customs of banking practice.

2. The parties to the agreement have the right to select and specify in the agreement any of the forms of accounting indicated in point 1 of the present article.

#2. Accounting through payment authorizations

Article 863. General principles of accounting through payment authorizations

1. In accounting through payment authorizations, the bank promises, at the instruction of the payer and at the expense of the funds held in his account, to transfer a certain monetary sum to the account of the person indicated by the payer at this or some other bank and within the time specified by law or established in accordance with it, if a shorter period is not specified

by the bank account agreement or is not determined by the customs generally applied in banking practice.

2. The rules of the present paragraph are applied to relations associated with transfer of monetary funds through a bank by a person who does not have an account at the given bank, unless otherwise specified by law, by the banking regulations established in accordance with it, or does not result from the essence of these relations.

3. The procedure of performing accounting through payment authorizations is regulated by law, and likewise by the banking regulations established in accordance with it and by the customs generally used in banking practice.

Article 864. Conditions of bank's fulfillment of payment authorization

1. The content of a payment authorization and the accounting documents submitted together with it, as well as their form, must correspond to the requirements specified by law and by the banking regulations established in accordance with it.

2. If the payment authorization does not correspond to the requirements set forth in point 1 of the present article, the bank may clarify the content of the authorization. Such request must be made to the payer immediately upon receipt of the authorization. If a response is not received within the time specified by law or by the banking regulations established in accordance with it, and in their absence—within reasonable time, the bank may leave the authorization unfulfilled and return it to the payer, unless otherwise specified by law, by the banking regulations established in accordance with it, or by agreement between the bank and the payer.

3. The payer's authorization is fulfilled by the bank if there are funds in the payer's account, unless otherwise specified by agreement between the payer and the bank. The authorization is fulfilled by the bank with adherence to the sequence of writing off monetary funds from the account (Article 855).

Article 865. Fulfillment of authorization

1. The bank, having accepted the payer's payment authorization, is obligated to transfer the appropriate monetary sum of funds to the payee's bank, for crediting to the account of the person named in the authorization, and within the time specified in point 1, Article 863 of the present Code.

2. The bank has the right to involve other banks in fulfillment of operations on transfer of monetary funds to the account indicated in the client's authorization.

3. The bank is obligated to immediately inform the payer, at his demand, about fulfillment of the authorization. The order of formulation and the requirements for the content of the notification of fulfillment of the authorization are specified by law, by the banking regulations established in accordance with it, or by mutual agreement of the parties.

Article 866. Liability for non-fulfillment or improper fulfillment of authorization

1. In the case of non-fulfillment or improper fulfillment of the client's authorization, the bank bears liability on the grounds and in the amounts specified in Chapter 25 of the present Code.

2. In cases when non-fulfillment or improper fulfillment of the authorization occurred in connection with violation of the rules of performing accounting operations by the bank engaged for fulfillment of the payer's authorization, the liability specified in point 1 of the present article may be placed upon this bank by the court.

3. If the violation of rules of performing accounting operations by the bank entailed unjustified withholding of monetary funds, the bank is obligated to pay interest in accordance with the procedure and in the amount specified in Article 395 of the present Code.

#3. Accounting under letter of credit

Article 867. General principles of accounting under letter of credit

1. In accounting under letters of credit, the bank, acting at the authorization of the payer on opening the letter of credit and in accordance with his instructions (emission bank), promises to perform payment to the recipient of the funds or to pay, accept or credit a transferrable promissory note (bill of exchange), or to give authorization to some other bank (executor bank) to perform payment to the recipient of funds or to pay, accept or credit the bill of exchange.

The rules for the executor bank are applied to the emission bank performing payment to the recipient of funds or paying, accepting or crediting the bill of exchange.

2. In case of establishing a covered (deposited) letter of credit, at the time of its opening the emission bank is obligated to transfer the sum of the letter of credit (coverage) at the expense of the payer, or the credit granted to him, to the management of the executor bank for the entire term of effectiveness of the obligations assumed by the emission bank.

In case of establishing an non-covered (guaranteed) letter of credit, the executor bank is granted the right to write off the entire sum of the letter of credit from the emission bank's current account.

3. The procedure of performing accounting under letter of credit is regulated by law, and likewise by the banking regulations established in accordance with it and the customs generally applied in banking practice.

868. Revokable letter of credit

1. A letter of credit which may be amended or recalled by the emission bank without preliminary notification of the recipient of the funds is considered to be revokable. The revokation of the letter of credit does not create any obligations by the emission bank to the recipient of the funds.

2. The executor bank is obligated to make payment and perform other operations on the revokable letter of credit if at the moment of their performance it had not received notification on change in conditions or revokation of the letter of credit.

3. A letter of credit is revokable, unless its text directly specifies otherwise.

Article 869. Non-revokable letter of credit

1. A letter of credit which cannot be revoked without the consent of the recipient of the funds is considered to be non-revokable.

2. At the request of the emission bank, the executor bank participating in performance of the operation under the letter of credit may confirm a non-revokable letter of credit (confirmed letter of credit). Such confirmation signifies the executor bank's acceptance of additional obligation over that assumed by the emission bank to perform payment in accordance with the conditions set forth in the letter of credit.

A non-revokable letter of credit confirmed by the executor bank may not be amended or revoked without consent of the executor bank.

Article 870. Fulfillment of letter of credit

1. For fulfillment of the letter of credit, the recipient of the funds presents to the executor bank the documents confirming fulfillment of all conditions set forth in the letter of credit. Upon violation of at least one of these conditions, fulfillment of the letter of credit is not performed.

2. If the executor bank has made payment or performed some other operation in accordance with the conditions set forth in the letter of credit, the emission bank is obligated to compensate it for its incurred expenditures. The indicated expenditures, as well as all other expenditures of the emission bank associated with fulfillment of the letter of credit, are compensated by the payer.

Article 871. Refusal to accept documents

1. If the executor bank refuses to accept the documents which by outward indicators do not correspond to the conditions set forth in the letter of credit, it must immediately inform the recipient of the funds and the emission bank of this fact, with indication of the reasons for refusal.

2. If the emission bank, having received the documents accepted by the executor bank, believes that they do not correspond by their outward indicators to the conditions set forth in the letter of credit, it has the right to refuse their acceptance and to demand from the executor bank the sum paid to the recipient of the funds in violation of the conditions of the letter of credit, and for a non-covered letter of credit—to refuse compensation of the sums which have been paid out.

Article 872. Liability of bank for violating conditions of letter of credit

1. Liability to the payer for violating the conditions of the letter of credit is borne by the emission bank, and to the emission bank—by the executor bank, with the exception of cases specified in the present article.

2. In case of unjustified refusal of the executor bank to pay out monetary funds under a covered or confirmed letter of credit, the liability to the recipient of the funds may be placed on the executor bank.

3. In case of improper payment of monetary funds by the executor bank under a covered or confirmed letter of credit as a result of violation of the conditions set forth in the letter of credit, the liability to the payer may be placed on the executor bank.

Article 873. Closure of letter of credit

1. Closure of a letter of credit in the executor bank is performed:

—upon expiration of the term of the letter of credit;

—upon statement of the recipient of the funds regarding refusal to fulfill the letter of credit prior to expiration of the term of its effectiveness, if the possibility of such refusal is specified in the conditions set forth in the letter of credit;

—upon demand of the payer for full or partial revocation of the letter of credit, if such revokation is possible under the conditions of the letter of credit.

The executor bank must notify the emission bank regarding closure of the letter of credit.

2. The unsued sum of a covered letter of credit is subject to refund to the emission bank immediately, at the same time as the closure of the letter of credit. The emission bank is obligated to credit the returned sums to the payer's account from which the funds were deposited.

#4. Accounting on collections

Article 874. General principles of accounting on collections

1. In accounting on collections, the bank (emission bank) promises, at the request of the client, to perform for the client actions on receipt of payment and (or) acceptance of payment from the payer.

2. The emission bank, having received the client's authorization, has the right to involve another bank (executor bank) in its fulfillment.

The order of implementing accounting on collections is regulated by the law, by the banking regulations established in accordance with it, and by the generally accepted customs of banking practice.

3. In case of non-fulfillment or improper fulfillment of the client's authorization, the emission bank bears liability to him on the grounds and in the amount specified in Chapter 25 of the present Code.

If non-fulfillment or improper fulfillment of the client's authorization occurred in connection with the executor bank's violation of the rules of performing accounting operations, liability to the client may be placed upon this bank.

Article 875. Fulfillment of collections authorization

1. In the absence of any document whatsoever, or if documents do not correspond by their outward indicators to the collections authorization, the executor bank must immediately notify the person from whom the collections authorization was received regarding this fact. If the indicated shortcomings are not corrected, the bank has the right to return the documents without fulfillment.

2. Documents are submitted to the payer in the form in which they are received, with the exception of bank notations and signatures necessary for implementation of the collections operation.

3. If the documents are subject to payment upon demand, the executor bank must make the submission for payment immediately upon receipt of the collections authorization.

If the documents are subject to payment in a different period, the executor bank, in order to receive the payer's acceptance, must submit the documents for acceptance immediately upon receipt of the collection authorization, and the demand for payment must be made no later than the day of onset of the term of payment specified in the document.

4. Partial payments may be accepted in cases when this is specified by the banking regulations, or in the presence of special permission given in the collection authorization.

5. Received (collected) sums must be immediately handed over by the executor bank to the management of the emission bank, who is obligated to credit these sums to the client's account. The executor bank has the right to retain from the collected sum the sum which is due to as remuneration and compensation of expenditures.

Article 876. Notification of performed operations

1. If the payment and (or) acceptance were not received, the executor bank must immediately notify the emission bank of the reasons for non-payment or refusal of acceptance.

The emission bank must immediately inform the client of this fact, requesting instructions from him regarding further actions.

2. Upon failure to receive instructions on further actions within the time specified by banking regulations, and in its absence—within a reasonable time, the executor bank has the right to return the documents to the emission bank.

# 5. Accounting by check

Article 877. General principles of accounting by check

1. A check is considered to be a security containing the unconditional instruction of the issuer of the check to the bank to perform payment of the sum indicated in it to the bearer of the check.

2. Only the bank where the check issuer has funds which he has the right to manage by means of issuing checks may be indicated as the payer of the check.

3. Cancellation of a check prior to expiration of the term for its presentation is not permitted.

4. Issuance of a check does not liquidate the monetary liability in whose fulfillment it was issued.

5. The order and conditions of using checks in payment transactions are regulated by the present Code, and in the part not regulated by it—by other laws and

by banking regulations established in accordance with them.

Article 878. Requisites for check

1. A check must contain:

1) the name "check" included in the text of the document;

2) the authorization to the payer to pay out a specific monetary sum;

3) the name of the payer and indication of the account from which payment is to be made;

4) indication of the payment currency;

5) indication of the date and place of compilation of the check;

6) signature of the person writing the check—check issuer.

Absence of any of the indicated requisites from the document deprives it of the force of a check.

A check which does contain indication of the place of its compilation is viewed as having been signed at the place of location of the check issuer.

Specification of interest is considered unwritten.

2. The form of the check and the order of its completion are defined by law and by the banking regulations established in accordance with it.

Article 879. Payment of check

1. A check is paid at the expense of the check issuer's funds.

In case of deposit of funds, the procedure and conditions of depositing the funds [illegible] covering the check are specified by the banking regulations.

2. A check is subject to payment by the payer under the condition that it is presented for payment within the time specified by law.

3. The payer of a check is obligated to verify the authenticity of the check by all means accessible to him, and likewise the fact that the bearer of the check is the person authorized by it.

In payment of an endorsed check, the payer is obligated to verify the correctness of the endorsement, but not the signature of the endorsers.

4. Losses arising as a result of payer's payment of a counterfeit, stolen or lost check are placed upon the payer or the issuer of the check, depending on who was at fault for such losses.

Article 880. Transfer of rights to check

1. Transfer of rights to a check is performed in accordance with the procedure specified by Article 146 of the present Code, with adherence to the rules specified by the present article.

2. A nominal check is not subject to transfer.

3. In a transferrable check, the endorsement to the payer has the force of a receipt for collection of payment.

An endorsement performed by the payer is invalid.

A person who has in his possession a transferrable check received through endorsement is considered to be its lawful holder, if he bases his right on a continuous series of endorsements.

Article 881. Guarantee of payment

1. Payment of a check may be guaranteed in full or in part by means of a security guarantee.

Guarantee of a payer for a check (security guarantee) may be given by any person, with the exception of the payer.

2. A security guarantee is stamped on the face of the check or on an additional sheet by means of signature stating, "considered as security guarantee," and indication of who issued it and when. If it is not indicated who it was issued for, it is considered to be given for the check issuer.

The security guarantee is signed by the guarantor with indication of his place of residence and the date of signature, and if the guarantor is a legal entity—the place of its location and date of signature.

3. The guarantor is answerable in the same way as the one for whom he issued the security guarantee.

His obligation is valid even if the obligation which he has guaranteed proves to be invalid for any reason whatsoever, other than failure to adhere to the form.

4. The guarantor who has paid the check acquires the rights stemming from the check, against the one for whom he gave the guarantee, and against those who are obligated to the latter.

Article 882. Check cashing

1. Presenting a check to the bank which services the check issuer for cashing and receipt of payment due is considered to be presentation for payment.

Payment of the check is performed in accordance with the procedure specified in Article 875 of the present Code.

2. Crediting of funds from the cashed check to the account of the check bearer is performed after receipt of payment from the payer, unless otherwise specified by agreement between the bearer of the check and the bank.

Article 883. Verification of refusal to pay check

1. Refusal to pay the check must be verified by one of the following means:

1) protest of notary, or compilation of an equivalent official act in accordance with the procedure specified by law;

2) notations of the payer on the check regarding refusal of its payment, with indication of the date the check was submitted for payment;

3) notation of cashing bank, with indication of date, to the effect that the check was presented in a timely manner and not paid.

2. The protest or equivalent official act must be performed prior to expiration of the term for presentation of the check.

If the check was presented on the last day of the term, then the protest or equivalent act may be performed on the next working day.

Article 884. Notification of non-payment of check

The bearer of the check must notify his endorser and the check issuer regarding non-payment, within two working days following the day of protest or equivalent official act.

Each endorser must, within two working days following the day of his receipt of notification, inform his endorser about the notification received by him. Within the same time, a notification is sent to the party which issued the security guarantee for this person.

One who has not sent notification within the specified time does not lose his rights. He compensates the losses which may occur as a result of failure to make notification regarding non-payment of the check. The amount of the compensated losses may not exceed the sum of the check.

Article 885. Consequences of non-payment of check

1. In case of the payer's refusal to pay the check, the bearer of the check has the right, at his discretion, to submit a claim to one, several or all the persons responsible for the check (check issuer, security guarantor, endorsers) who bear joint liability to him.

2. The bearer of check has the right to demand from the indicated persons the payment of the sum of the check, his expenses for receipt of payment, and likewise interest in accordance with point 1, Article 395 of the present Code.

The same right belongs to a party responsible for the check after it has paid the check.

3. The claim of the check bearer to the persons indicated in point 1 of the present article may be submitted within 6 months from the day of expiration of the term for presenting the check for payment. Regressive demands on counter claims by responsible persons are cancelled upon expiration of 6 months from the day when the appropriate responsible party satisfied the demand, or from the day the claim was presented to him.

Chapter 47. STORAGE

#1. General principles on storage

Article 886. Storage agreement

1. In accordance with the storage agreement, one party (storekeeper) promises to store an item handed over to it for safekeeping by the other party (storer of goods), and to return this item in good condition.

2. A storage agreement in which the storekeeper is a commercial organization or non-commercial organization, performing storage as one of the purposes of its professional activity (professional storekeeper), may specify the storekeeper's obligation to accept an item for storage from the storer within the time specified in the agreement.

Article 887. Form of storage agreement

1. The storage agreement must be concluded in written form in the cases specified in Article 161 of the present Code. Moreover, for a storage agreement concluded between citizens (subpoint 2, point 1, Article 161), adherence to the written form is required if the value of the item handed over for storage exceeds no less than 10 times the minimal amount of the labor wage established by law.

A storage agreement which specifies the storekeeper's obligation to accept an item for storage must be concluded in written form, regardless of the complement of participants in this agreement and the value of the item handed over for storage.

The transfer of an item for storage under extraordinary circumstances (fire, natural disaster, sudden illness, threat of attack, etc.) may be substantiated by witness testimony.

2. A simple written form of the storage agreement is considered adhered to if the acceptance of the item for storage is certified by the storekeeper's issuance of the following to the storer:

—a storage voucher, receipt, certificate or other document signed by the storekeeper;

—a number tag (number), or other sign certifying acceptance of the item for storage, if such form of confirmation of acceptance of items for storage is specified by law or other legal statute, or is customary for the given type of storage.

3. Failure to adhere to the simple written form of the storage agreement does not deprive the parties of the right to refer to witness testimony in case of dispute over like identity of the item accepted for storage and the item returned by the storekeeper.

Article 888. Fulfillment of obligation to accept item for storage

1. The storekeeper who under the storage agreement has assumed the obligation of accepting the item for storage (point 2, Article 886), does not have the right to demand transfer of this item to him for storage.

However, the storer who has not handed over the item for storage within the time specified in the agreement bears liability to the storekeeper for the losses inflicted in connection with the unrealized storage, unless otherwise specified by law or by the storage agreement. The storer is absolved of this responsibility if he notifies the storekeeper of refusal of his services within a reasonable time.

2. Unless otherwise specified by the storage agreement, the storekeeper is absolved of the obligation to accept the item for storage in the case when the item was not handed over to him within the time specified in the agreement.

Article 889. Term of storage

1. The storekeeper is obligated to store the item for the duration of the term specified in the storage agreement.

2. If the term of storage is not specified in the agreement and cannot be determined based on its conditions, the storekeeper is obligated to store the item until the storer requests it.

3. If the term of storage is defined by the moment of request of the item by the storer, the storekeeper has the right, upon expiration of the term of storage of the item which is customary under the given circumstances, to demand that the storer take back the item, granting him reasonable time to do so. Failure of the storer to fulfill this obligation entails consequences specified in Article 899 of the present Code.

Article 890. Storage of items with loss of individuality

In cases directly specified in the storage agreement, items of one storer which have been accepted for storage may be mixed with the items of the same type and quality of other storers (storage with loss of individuality). An equal amount of goods of the same type and quality, or an amount of goods agreed upon by the parties, is then returned to the storer.

Article 891. Obligation of storekeeper to ensure safekeeping of item

1. The storekeeper is obligated to take all measures specified in the storage agreement to ensure the safekeeping of the item which has been handed over to him for storage.

In the absence of stipulated conditions on such measures in the agreement, or the incompleteness of such conditions, the storekeeper must also take measures for safekeeping of the item which correspond to the customs of business practice and the essence of the obligation, including to the properties of the item handed over for storage, if the necessity of taking such measures is not excluded by the agreement.

2. The storekeeper must in any case take measures whose necessity is specified by law, other legal statutes or the procedure established in accordance with them (fire prevention, sanitary, protective, etc.) to ensure the safekeeping of the item which has been handed over to him.

3. If storage is performed without compensation, the storekeeper is obligated to care for the item which has been accepted for storage no less than for his own items.

Article 892. Use of item handed over for storage

The storekeeper does not have the right to use the item handed over for storage without the consent of the storer, and likewise to grant the opportunity of its use to third persons, with the exception of the case when use of the stored item is necessary to ensure its safekeeping and does not contradict the storage agreement.

Article 893. Change in storage agreement

1. If it becomes necessary to alter the conditions of storage of an item which are specified in the storage

agreement, the storekeeper is obligated to immediately notify the storer of this fact, and to await his response.

If the change in conditions of storage is necessary to eliminate the danger of loss, shortage or damage to the item, the storekeeper has the right to change the method, place and other conditions of storage without waiting for the storer's response.

2. If, in the course of storage, a real threat of spoilage of the item has arisen, or if the item has already been subject to spoilage, or if circumstances have arisen which make it impossible to ensure its safekeeping and it is impossible to await timely adoption of measures by the storer, the storekeeper has the right to independently sell the item or part of it at the price formulated at the place of storage. If the indicated circumstances arose due to reasons for which the storekeeper is not responsible, he has the right to compensation of his expenditures associated with the sale, to be deducted from the purchase price received.

Article 894. Storage of items with dangerous properties

1. Items which are flammable, explosive or generally dangerous by their nature, if the storer has not warned the storekeeper of these properties at the time of handing them over for storage, may at any time be rendered harmless or destroyed by the storekeeper without compensation of losses to the storer. The storer is responsible for the losses inflicted upon the storekeeper or third persons in connection with storage of such items.

When items with dangerous properties are handed over for storage to a professional storekeeper, the rules specified in paragraph one of the present point are applied in the case when such items were given for storage under improper designation, and the storekeeper, at the time of their acceptance, could not verify their dangerous properties by means of outward inspection.

In the case of compensatory storage in cases specified by the present point, the remuneration paid for storage of the items is not returned, and if it was not paid—the storekeeper may collect it in full.

2. If items specified in paragraph one, point 1 of the present article were accepted for storage with the prior knowledge and consent of the storekeeper, and despite adherence to conditions of their storage, have become dangerous to those around them or to the property of the storekeeper or third persons, and circumstances do not permit the storekeeper to demand their immediate removal by the stoere or if the latter does not fulfill this demand, these items may be rendered harmless or destroyed by the storekeeper without compensation of losses to the storer. In this case, the storer bears no liability to the storekeeper or third persons for losses inflicted in connection with storage of these items.

Article 895. Transfer of item for storage to third party

If the storage agreement does not specify otherwise, the storekeeper does not have the right to hand over the item for storage to a third party without the consent of the storer, with the exception of cases when this is necessitated by force of circumstances in the interests of the storer, and the latter's consent cannot be obtained.

The storekeeper is obligated to immediately inform the storer of transfer of the item for storage to a third party.

Upon transfer of an item for storage to a third party, the conditions of the agreement between the storer and the initial storekeeper retain their force, and the latter is liable for the actions of the third party to whom he has handed the item over for storage, as if they were his own.

Article 896. Remuneration for storage

1. Remuneration for storage must be paid to the storekeeper upon completion of storage, and if payment for storage is specified by periods, it must be paid in appropriate parts upon expiration of each period.

2. If the payment of remuneration for storage becomes overdue by more than half of the period for which it must be paid, the storekeeper has the right to refuse fulfillment of the agreement and to demand that the storer immediately remove the item which was given for storage.

3. If storage is terminated prior to expiration of the specified term due to circumstances for which the storekeeper is not responsible, he has the right to receive the commensurate portion of remuneration, and in the case specified by point 1, Article 894 of the present Code—to the full sum of remuneration.

If storage is terminated ahead of schedule due to circumstances for which the storekeeper is responsible, he does not have the right to demand remuneration for the storage, and must return the sums of remuneration received for it to the storer.

4. If, upon expiration of the term of storage, the item held in storage is not claimed by the storer, he is obligated to pay the storekeeper commensurate remuneration for continued storage of the item. This rule is applied also in the case when the storer is obligated to take back the item prior to expiration of the term of storage.

5. The rules of the present article are applied if the storage agreement does not specify otherwise.

Article 897. Compensation of expenditures for storage

1. Unless otherwise specified in the storage agreement, the storekeeper's expenditures for storage of an item are included in the remuneration for storage.

2. In the case of non-compensatory storage, the storer is obligated to compensate the storekeeper for the necessary expenditures performed by him for storage of the item, unless otherwise specified by law or by the storage agreement.

Article 898. Extraordinary expenditures for storage

1. Expenditures for storage of an item which exceed the ordinary expenditures of such type and which the parties could not have predicted at the time of concluding the storage agreement (extraordinary expenditures), are compensated to the storekeeper if the storer has given consent for these expenditures or subsequently approved them, and likewise in other cases specified by law, by other legal statutes or by the agreement.

2. If it is necessary to perform extraordinary expenditures, the storekeeper is obligated to ask the storer for approval of these expenditures. If the storer does not indicate his disagreement within the time specified by the storekeeper, or within the time normally necessary for response, it is considered that he has consented to the extraordinary expenditures.

In the case when the storekeeper has performed extraordinary expenditures for storage without having received prior consent for these expenditures from the storer, despite the fact that this was possible under the circumstances in the case, and the storer subsequently did not approve these expenditures, the storekeeper may demand compensation of the extraordinary expenditures only within the limits of the loss which could have been inflicted upon the item if such expenditures had not been performed.

3. Unless otherwise specified by the storage agreement, extraordinary expenditures are compensated in addition to remuneration for storage.

Article 899. Obligation of storer to take back item

1. Upon expiration of the specified term of storage or term specified by the storekeeper for reclaiming the item on the basis of point 3, Article 889 of the present Code, the storer is obligated to immediately take back the item which was handed over for storage.

2. If the storer fails to fulfill his obligation to take back the item which had been handed over for storage, including in case of his refusal to receive the item, unless otherwise specified in the storage agreement, the storekeeper, after having given written warning to the storer, has the right to sell the item himself at the price formulated at the place of storage, and if the value of the item by appraisal exceeds 100 times the minimal amounts of the labor wage established by law—to sell it at auction in accordance with the procedure specified in Articles 447-449 of the present Code.

The sum received from the sale of the item is handed over to the storer, after deduction of sums due to the storekeeper, including his expenditures for sale of the item.

Article 900. Obligation of storekeeper to return item

1. The storekeeper is obligated to return to the storer, or to the person indicated by him as the consignee, the same item which was handed over for storage, if the agreement does not specify storage with loss of individuality (Article 890):.

2. The item must be returned by the storekeeper in the same condition in which it was accepted for storage, with consideration for its natural deterioration, natural loss or other changes resulting from its natural properties.

3. At the time of returning the item, the storekeeper is obligated to hand over the fruits and income obtained during the time of its storage, unless otherwise specified in the storage agreement.

Article 901. Grounds for liability of storekeeper

1. The storekeeper is responsible for loss, shortage or damage to items accepted for storage on the grounds specified in Article 401 of the present Code.

A professional storekeeper is responsible for loss, shortage or damage to items, if he does not prove that the loss, shortage or damage occurred as a result of insurmountable force, or due to the properties of the item about which the storekeeper did not know and should not have known at the time of accepting it for storage, or as a result of intent or gross negligence of the storer.

2. The storekeeper is liable for the loss, shortage or damage to items accepted for storage after the obligation of the storer to take back these items has ensued (point 1, Article 899) only if there is intent or gross negligence on his part.

Article 902. Amount of liability of storekeeper

1. Losses inflicted upon the storer by the loss, shortage or damage to items are compensated by the storekeeper in accordance with Article 393 of the present Code, unless otherwise specified by law or by the storage agreement.

2. In the case of uncompensated storage, the losses inflicted upon the storer by loss, shortage or damage to the items are compensated:

1) for loss and shortage of the item—in the amount of the value of the lost or shorted items;

2) for damage to items—in the amount of the sum by which their value has been decreased.

3. In the case when, as a result of damage for which the storekeeper is liable, the quality of the item has changed so much that it cannot be used for its initial purpose, the storer has the right to refuse it and to demand compensation of the value of this item from the storekeeper, and likewise other damages, unless otherwise specified by law or by the storage agreement.

Article 903. Compensation of losses inflicted upon storekeeper

The storer is obligated to compensate the storekeeper for losses inflicted by the properties of the item handed over for storage, if the storekeeper did not know about these properties at the time of accepting the item for storage.

Article 904. Termination of storage at demand of storer

At the first demand of the storer, the storekeeper is obligated to return the item accepted for storage, even through the term of its storage specified in the agreement has not yet expired.

Article 905. Application of general principles on storage to its individual types

General principles on storage (Articles 886-904) are applied to its individual types, if the rules on individual types of storage contained in Articles 907-926 of the present Code and other laws do not specify otherwise.

Article 906. Storage by virtue of law

The rules of the present chapter are applied to obligations of storage arising by virtue of law, if the law does not specify other regulations.

#2. Storage at warehouse

Article 907. Warehouse storage agreement

1. According to the warehouse storage agreement, the warehouse (storekeeper) promises to store the goods handed over to it by the owner of the goods (storer) for remuneration, and to return these goods in good condition.

A warehouse is considered to be an organization which performs storage of goods and provides storage-related services in the form of entrepreneurial activity.

2. The written form of the warehouse storage agreement is considered to be adhered to if its conclusion and acceptance of the goods at the warehouse are verified by a warehouse document (Article 912).

Article 908. Storage of goods by general use warehouse

1. A warehouse is considered to be a general use warehouse if it ensues from the law, other legal statutes or from the permit (license) issued to this commercial organization, that it is obligated to accept goods for storage from any goods owner.

2. The warehouse storage agreement concluded by a general use warehouse is considered to be a public agreement (Article 426).

Article 909. Inspection of goods upon their acceptance by the warehouse and during storage

1. Unless otherwise specified in the warehouse storage agreement, the goods warehouse, at the time of acceptance of the goods for storage, is obligated to perform inspection of the goods at its own expense, and to determine their amount (number of units or goods [storage] places or measure—weight, volume), as well as their external condition.

2. The warehouse is obligated to grant the owner of the goods the opportunity to inspect the goods or their samples during the time of storage, if storage is performed with loss of individuality, to take samples and to take measures necessary to ensure safekeeping of the goods.

Article 910. Change in storage conditions and status of goods

1. In the case when, in order to ensure safekeeping of the goods, it is necessary to alter the conditions of their storage, the warehouse has the right to take the necessary measures independently. However, it is obligated to notify the owner of the goods about the measures which have been taken, if it was necessary to

significantly alter the conditions of storage of the goods specified in the warehouse storage agreement.

2. If, in the course of storage, damage to the goods is discovered which goes beyond the bounds of those agreed upon in the warehouse storage agreement or the ordinary standards of natural spoilage, the warehouse must immediately compile a report on this, and notify the owner of the goods on that very same day.

Article 911. Verification of quantity and condition of goods upon return to their owner

1. The owner of the goods and the warehouse each have the right to demand inspection and verification of quantity of goods upon their return. The expenditures caused by this are borne by the party demanding inspection of the goods or verification of their quantity.

2. If, upon return of the goods by the warehouse to their owner, the goods were not jointly inspected or verified by them, the statement of shortage or damage of goods as a result of their improper storage must be made in writing to the warehouse upon receipt of the goods, and in regard to shortage or damage which could not have been detected under the customary method of acceptance of the goods—within 3 days after their receipt.

In the absence of the statement indicated in paragraph one of the present point, it is considered, unless otherwise proven, that the goods were returned by the warehouse in accordance with the conditions set forth in the warehouse storage agreement.

Article 912. Warehouse documents

1. The goods warehouse issues one of the following warehouse documents in confirmation of its acceptance of goods for storage:

—double warehouse certificate;

—simple warehouse certificate;

—warehouse receipt.

2. The double warehouse certificate consists of two parts—the warehouse certificate and the security deposit certificate (warranty), which may be separated from one another.

3. The double warehouse certificate, each of its two parts, and the simple warehouse certificate are considered to be securities.

4. The goods accepted for storage under a double or simple warehouse certificate may be the object of security deposit during their storage, by means of deposit of the appropriate certificate.

Article 913. Double warehouse certificate

1. Each part of the double warehouse certificate must have identical indication of:

1) the name and place of location of the goods warehouse accepting the goods for storage;

2) the current number of the warehouse certificate in the warehouse register;

3) the name of the legal entity or name of citizen from whom the goods were accepted for storage, and likewise the place of location (place of residence) of the owner of the goods;

4) the name and quantity of goods accepted for storage—number of units and (or) goods storage places and (or) measure (weight, volume) of the goods;

5) the term for which the goods are accepted for storage, if such term is specified, or an indication that the goods have been accepted for storage which are returnable upon demand;

6) the amount of remuneration for storage or the rates on the basis of which it is computed, and the order of payment for storage;

7) the date of issue of the warehouse certificate.

Both parts of the double warehouse certificate must have identical signatures of the authorized official and must bear the seal of the warehouse.

2. A document which does not correspond to the requirements of the present article is not a double warehouse certificate.

Article 914. Rights of bearers of warehouse and security deposit certificates

1. The bearer of a warehouse and security deposit certificate has the right to dispose of the goods stored in the warehouse in full volume.

2. The bearer of a warehouse certificate separated from the security deposit certificate has the right to dispose of the goods, but cannot remove them from the warehouse prior to repayment of the credit issued for the security deposit certificate.

3. The bearer of a security deposit certificate who is someone other than the bearer of the warehouse certificate has the right of security deposit on the goods in the amount of credit issued under the security deposit agreement, and the interest on it. When goods are placed on security deposit, notation of this fact is made in the warehouse certificate.

Article 915. Transfer of warehouse and security deposit certificates

The warehouse certificate and the security deposit certificate may be transfered together or separately, by transfer authorizations.

Article 916. Issuance of goods under double warehouse certificate

1. The warehouse issues goods to the bearer of the warehouse and security deposit certificates (double warehouse certificate) in no other way but in exchange for both of these certificates together.

2. The bearer of the warehouse certificate who does not have the security deposit certificate, but who has paid the sum of debt on it, is given the goods by the warehouse in no other way but in exchange for the warehouse certificate and under the condition that it is accompanied by a receipt of payment of the entire sum of debt under the security deposit certificate.

3. A warehouse which in spite of the requirements of this article has issued goods to the bearer of a warehouse certificate who does not have a security deposit certificate and who has not paid the sum of debt on it, is liable to the bearer of the security deposit certificate for payment of the entire sum ensured by it.

4. The bearer of the warehouse and security deposit certificates has the right to demand that the goods be issued to him in parts. In this case, in exchange for the initial certificates he is issued new certificates for the goods remaining in the warehouse.

Article 917. Simple warehouse certificate

1. A simple warehouse certificate is issued to the bearer.

2. A simple warehouse certificate must contain the information specified in subpoints 1, 2, 4-7, point 1 and the last paragraph of Article 913 of the present Code, and also indication of the fact that it is issued to the bearer.

3. A document which does not correspond to the requirements of the present article is not a simple warehouse certificate.

Article 918. Storage of items with right to dispose of them

If it ensues from the law, other legal statutes or from the agreement that a warehouse may dispose of goods given to it for storage, the rules of Chapter 41 of the present Code regarding loans are applicable to the relations of the parties. However, the time and place of return of the goods is specified by the rules of the present chapter.

#3. Special types of storage

Article 919. Storage in pawnshop

1. The agreement on storage in a pawnshop of items belonging to a citizen is a public agreement (Article 426).

2. Conclusion of the agreement on storage in a pawnshop is verified by the pawnshop's issuance of a nominal security receipt to the storer.

3. An item which is given for storage in a pawnshop is subject to appraisal by agreement of the parties in accordance with the prices on items of this type and quality usually established in trade at the moment and in the place of their acceptance for storage.

4. The pawnshop is obligated to ensure the items accepted for storage, at its own expense and in favor of the storer, for the full sum of their valuation, performed in accordance with point 3 of the present article.

Article 920. Items not claimed from pawnshop

1. If an item given for storage to a pawnshop is not claimed by the storer within the period specified by agreement with the pawnshop, the pawnshop is obligated to store it for 2 months, with collection of payment specified in the storage agreement for this. Upon expiration of this term, the unclaimed item may be sold by the pawnshop in accordance with the procedure specified in point 5, Article 358 of the present Code.

2. The sum received from sale of the unclaimed item is used to pay for its storage and any other payments due to the pawnshop. The remainder of the sum is returned by the pawnshop to the storer.

Article 921. Storage of valuables in bank

1. A bank may accept for storage securities, precious metals and stones, other precious items and valuables, including documents.

2. Conclusion of the agreement on storage of valuables in a bank is certified by the bank's issuance of a nominal security document to the storer, whose presentation constitutes grounds for issuance of the stored valuables to the storer.

Article 922. Storage of valuables in individual bank safe

1. The agreement on storage of valuables in a bank may specify their storage with the storer's (client's) use, or his provision with, an individual bank safe (safe cubicle, isolated accommodation in bank), guarded by the bank.

According to the agreement on storage of valuables in an individual bank safe, the client is granted the right to himself place the valuables in the safe and to remove them from the safe, for which purpose he must be issued a key to the safe, a card allowing identification of the client, or other symbol or document certifying the client's right of access to the safe and its contents.

Conditions of the agreement may specify the client's right to work in the bank with securities stored in an individual safe.

2. According to the agreement on storage of valuables in a bank with the client's use of an individual bank safe, the bank accepts from the client valuables which must be stored in the safe, implements control over the client's placement of them in the safe and removal from the safe, and after removal returns them to the client.

3. According to the agreement on storage of valuables in a bank with provision of individual bank safe to the client, the bank ensures the client the opportunity of placing the valuables in the safe and removing them from the safe outside of anyone's control, including on the part of the bank.

The bank is obligated to implement control over access to the facility where the safe granted to the client is located.

If the agreement on storage of valuables in a bank with provision of individual bank safe to the client does not specify otherwise, the bank is absolved of liability for lack of safekeeping of the safe contents if it proves that under conditions of storage the access of anyone whomsoever to the safe without the knowledge of the client was impossible, or became impossible as a result of insurmountable force.

4. The rules of the present Code regarding the lease agreement are applied to the agreement on provision of a bank safe for use by another person without bank liability for the safe contents.

Article 923. Storage in storage lockers of transport organizations

1. Storage lockers which are under the management of general use transport organizations are obligated to accept for storage the items of passengers and other citizens, regardless of whether or not they have passage documents. The agreement on storage of items in storage lockers of transport oganizations is considered to be a public agreement (Article 426).

2. In confirmation of acceptance of an item for storage in a storage locker (with the exception of automatic lockers), the storer is given a receipt or a numbered tag. In case of loss of the receipt or tag, the item placed in the storage locker is issued to the storer upon presentation of proof that this item belongs to him.

3. The term during which the storage locker is obligated to store the item is defined by the rules specified in accordance with pararaph two, point 2, Article 784 of the present Code, if a longer term is not specified by agreement of the parties. Items which have not been claimed within the specified times must be stored in the storage locker for another 30 days. Upon expiration of this term, unclaimed items may be sold in accordance with the procedure specified in point 2, Article 899 of the present Code.

4. Losses of the storer resulting from loss, shortage or damage to goods placed in the storage locker, within the limits of the sum of their valuation by the storer at the time of placing in storage, are subject to compensation by the storekeeper within 24 hours from the moment of submission of demand on their compensation.

Article 924. Storage in cloak-rooms of organizations

1. Storage in cloak-rooms of organizations is presumed to be non-compensatory, if remuneration for storage is not stipulated or specified by some other obvious means at the time the item is checked for storage.

The storekeeper of the item checked in a cloak-room, regardless of whether storage is being performed with or without compensation, is obligated to take all measures for ensuring the safekeeping of the item, as specified in points 1 and 2, Article 891 of the present Code.

2. The rules of the present article are applied also to storage of outerwear, hats or other similar items, performed without their being checked into storage by citizens in places specified for these purposes in organizations and means of transport.

Article 925. Storage in hotel

1. A hotel is liable as a storekeeper, and without special agreement of this fact with the person residing in it (guest) for loss, shortage or damage to his items which have been brought into the hotel, with the exception of money, other currency valuables, securities and other precious items.

An item entrusted to workers of the hotel, or an item placed in a hotel room or other place designated for it, is considered to have been brought into a hotel.

2. A hotel is liable for loss of money, other currency valuables, securities and other precious items of the guest under the condition that they were accepted by the hotel for safekeeping, or were placed by the guest in an individual safe provided to him by the hotel, regardless

of whether this safe was located in his room or in some other hotel accommodation. The hotel is absolved of liability for non-safekeeping of the contents of such safe if it proves that, by conditions of storage, access of anyone whomsoever to the safe without the knowledge of the guest was impossible or became impossible as a result of insurmountable force.

3. A guest who has discovered loss, shortage or damage to his items is obligated to immediately inform the hotel administration of this fact. Otherwise, the hotel is absolved of liability for lack of safekeeping of the items.

4. An announcement made by a hotel to the effect that it does not assume liability for lack of safekeeping of items belonging to guests does not absolve it of liability.

5. The rules of the present article are applied respectively in regard to safekeeping of items belonging to citizens in motels, rest homes, boarding houses, sanatoriums, bath houses and other similar organizations.

Article 926. Storage of items which are the object of dispute (sequestration)

1. According to the agreement on sequestration, two or several persons between whom a dispute has arisen over the right to an item hand this item over to a third party, who assumes the responsibility, upon resolution of the dispute, of returning the item to that person to whom it is awarded by ruling of the court or by mutual agreement of all parties to the dispute (agreement sequestration).

2. The item which is the object of dispute between two or several parties may be handed over for safekeeping in the order of sequestration by decision of the court (judicial sequestration).

The storekeeper under judicial sequestration may be a person appointed by the court, as well as a person appointed by mutual consent of the disputing parties. In both cases, the consent of the storekeeper is required, unless otherwise specified by law.

3. Movable as well as immovable items may be handed over for safekeeping in the order of sequestration.

4. The storekeeper performing safekeeping of the item in the order of sequestration has the right to remuneration at the expense of the disputing parties, unless otherwise specified by the agreement or by ruling of the court which has established the sequestration.

Chapter 48. INSURANCE

Article 927. Voluntary and mandatory insurance

1. Insurance is performed on the basis of agreements on property or personal insurance, concluded by a citizen or legal entity (insured) with an insurance organization (insurer).

The agreement on personal insurance is a public agreement (Article 426).

2. In cases when the law imposes the obligation on specified persons to insure the life, health or property of other persons, or their civil liability to other persons, at their own expense or at the expense of interested parties (mandatory insurance), insurance is performed by means of concluding agreements in accordance with the rules of the present chapter. The conclusion of insurance agreements on conditions proposed by the insured is not mandatory for insurers.

3. The law may specify cases of mandatory insurance of life, health and property of citizens at the expense of funds allocated from the appropriate budget (mandatory state insurance).

Article 928. Interests which cannot be insured

1. Insurance of unlawful interests is not permitted.

2. Insurance of losses due to participation in games, lotteries and bets is not permitted.

3. Insurance of expenditures which a person may be forced to make for purposes of freeing hostages is not permitted.

4. Conditions of insurance agreements which contradict points 1-3 of the present article are invalid.

Article 929. Agreement of property insurance

1. According to the agreement of property insurance, one party (insurer) promises, in return for the payment specified in the agreement (insurance premium) and upon onset of the event specified in the agreement (insurance case), to compensate the other party (insured) or some other person in whose favor the agreement was concluded (beneficiary) any losses in the insured property inflicted as a result of this event, or any losses connected with other property interests of the insured (to pay out insurance compensation), within the limits of the sum specified in the agreement (insurance sum).

2. According to the agreement of property insurance, the following property interests, specifically, may be insured:

1) risk of loss (destruction), shortage or damage to specified property (Article 930);

2) risk of liability under obligations arising as a result of inflicting harm to life, health or property of other persons, and in the cases specified by law, also liability under agreements—risk of civil liability (Articles 931 and 932);

3) risk of losses from entrepreneurial activity due to violation of obligations by counteragents of the entrepreneur or change in conditions of this activity for reasons not depending on the entrepreneur, including risk of not receiving expected income—entrepreneurial risk (Article 933).

Article 930. Insurance of property

1. Property may be insured under the insurance agreement in favor of a party (insured or beneficiary) having an interest in safekeeping of this property based on law, other legal statute, or agreement.

2. The property insurance agreement concluded in the absence of interest of insured or beneficiary in the safekeeping of the insured property is invalid.

3. A property insurance agreement in favor of a beneficiary may be concluded without indication of the name or title of the beneficiary (insurance "in favor of whomever necessary").

In concluding such an agreement, the insured is issued an insurance policy payable to the bearer. Upon exercising rights under such an agreement, the insured or beneficiary must present this policy to the insurer.

Article 931. Insurance of liability for infliction of harm

1. According to the insurance agreement on risk of liability for obligations arising as a result of infliction of harm to life, health or property of other persons, the risk of liability of the insured person himself may be insured, or of some other person on whom such liability may be placed.

2. A person whose risk of liability for infliction of harm is insured must be named in the insurance agreement. If this person is not named in the agreement, it is assumed that the insurance covers risk of liability of the insured person himself.

3. The agreement on insurance of risk of liability for infliction of harm is considered concluded in favor of persons to whom harm may be inflicted (beneficiaries), even if the agreement is concluded in favor of the insured or some other person responsible for infliction of harm, or if the agreement does not state in whose benefit it is concluded.

4. In the case when liability for infliction of harm is insured by virtue of the fact that its insurance is mandatory, and likewise in other cases specified by law or by the agreement for insurance of such liability, the person in favor of whom the insurance agreement is considered to have been concluded has the right to present demand directly to the insurer on compensation of damages within the limits of the insurance sum.

Article 932. Insurance of liability under agreement

1. Insurance of risk of liability for violation of an agreement is allowed in the cases specified by law.

2. According to the agreement on insuring risk of liability for violation of an agreement, only the risk of liability of the insured person himself may be insured. An insurance agreement which does not correspond to this requirement is invalid.

3. The risk of liability for violation of an agreement is considered insured in favor of the party to whom the insured person must bear appropriate liability under the conditions of the agreement—the beneficiary, even if the insurance agreement is concluded in favor of another person, or does not state in whose benefit it is concluded.

Article 933. Insurance of entrepreneurial risk

According to the agreement on insuring entrepreneurial risk, entrepreneurial risk of only the insured person himself may be covered, and only in his favor.

The agreement on insuring entrepreneurisl risk of a person who is not the insured is invalid.

The agreement on insurance of entrepreneurial risk in favor of a person who is not the insured is considered to be concluded in favor of the insured person.

Article 934. Agreement of personal insurance

1. According to the agreement of personal insurance, one party (insurer) promises, for the payment specified in the agreement (insurance premium) paid by the other party (insured), to pay out in a lump sum or periodically the sum specified in the agreement (insurance sum) in the case of infliction of harm to the life or health of the policyholder himself or some other citizen named in the agreement (insured party), upon his reaching a certain age, or upon onset of other event in his life which is specified in the agreement (insurance case).

The right to receive the insurance sum belongs to the person in whose favor the agreement is concluded.

2. The agreement of personal insurance is considered concluded in favor of the insured person, if the agreement does not name another person as the beneficiary. In case of death of the person insured under the agreement in which no other beneficiary is named, the beneficiary is considered to be the heir of the insured person.

The agreement of personal insurance in favor of a person who is not the policyholder, including in favor of one who is not insured by the insurer, may be concluded only with the written consent of the insured person. In the absence of such consent, the agreement may be deemed invalid by petition of the insured person, and in the case of death of this person—at the petition of his heirs.

Article 935. Mandatory insurance

1. The law may impose obligation on the persons named in it to insure:

—life, health or property of other persons specified in the law in case of infliction of harm upon their life, health or property;

—risk of their civil liability, which may ensue as a result of infliction of harm to the life, health or property of other persons or violation of agreements with other persons.

2. The obligation to insure one's life or health cannot be placed upon a citizen by law.

3. In cases specified by law or in accordance with the procedure specified by it, legal entities having in their economic management or operative administration property which is state or municipal property may be obligated to insure this property.

4. In cases when the obligation of insurance does not stem from the law, but is based on agreement, including the obligation to insure property—on an agreement with the owner of the property or on the charter documents of a legal entity which is the owner of the property, such insurance is not mandatory in the sense of the present article, and does not entail the consequences specified by Article 937 of the present Code.

Article 936. Implementation of mandatory insurance

1. Mandatory insurance is performed by means of concluding an insurance agreement by a person upon whom the responsibility for such insurance has been placed (insured), with an insurer.

2. Mandatory insurance is performed at the expense of the insured, with the exception of mandatory insurance of passengers, which in the cases specified by law may be performed at their expense.

3. Objects subject to mandatory insurance, risks against which they must be insured, and minimal amounts of insurance sums are defined by law, and in the case specified by point 3, Article 935 of the present Code—by law or in accordance with the procedure established by it.

Article 937. Consequences of violating rules on mandatory insurance

1. A person in whose favor mandatory insurance must be performed by law, if he knows that such insurance was not performed, has the right to demand its performance in judicial order by the person who is charged with the responsibility for the insurance.

2. If a person who is charged with the responsibility of securing insurance has not done so, or has concluded an insurance agreement on conditions which worsen the position of the beneficiary as compared with the conditions specified by law, upon the onset of the insurance case he bears liability to the beneficiary on the same conditions as the insurance compensation was to have been paid had the insurance been properly secured.

3. Sums unjustifiably saved by a person charged with the responsibility of securing insurance, due to the fact that he did not fulfill this obligation or fulfilled it in an improper manner, are collected by claim of the agencies of the state insurance inspectorate toward the revenues of the Russian Federation, with computation of interest on these sums in accordance with Article 395 of the present Code.

Article 938. Insurer

Legal entities having permission (license) for performing insurance of the appropriate type may conclude insurance agreements in the capacity of insurers.

Requirements which insurance organizations must meet, the order of licensing their activity and implementation of state supervision over this activity are defined by the laws on insurance.

Article 939. Fulfillment of obligations under agreement of insurer and beneficiary

1. Concluding an insurance agreement in favor of a beneficiary, including when this person is the insured, does not absolve the insured from fulfilling obligations under this agreement, if the agreement does not specify otherwise or if the obligations of the insured are not

fulfilled by the person for whose benefit the agreement was concluded.

2. The insurer has the right to demand from the beneficiary, including when such beneficiary is the insured person, fulfillment of obligations under the insurance agreement, including obligations borne by the insured but not fulfilled by him, upon the beneficiary's presentation of demand for payment of the insurance compensation under the agreement of property insurance or the insurance sum under the agreement of personal insurance. The risk of consequences of non-fulfillment or improper fulfillment of obligations which were to have been fulfilled previously is assumed by the beneficiary.

Article 940. Form of insurance agreement

1. The insurance agreement must be concluded in written form.

Failure to adhere to the written form entails invalidity of the insurance agreement, with the exception of the agreement on mandatory state insurance (Article 969).

2. The insurance agreement may be concluded by means of compilation of a single document (point 2, Article 434), or by the insurer's giving the insured, on the basis of his written or verbal statement, an insurance policy (proof, certificate, receipt), signed by the insurer.

In the latter case, the consent of the insured party to conclude the agreement on the conditions proposed by the insurer is confirmed by acceptance from the insurer of the documents indicated in paragraph one of the present point.

3. The insurer, in concluding an insurance agreement, has the right to use standard agreement forms (insurance policy) developed by him or by the insurance association for various types of insurance.

Article 941. Insurance under general policy

1. Systematic insurance of different lots of similar property (goods, cargo, etc.) on similar conditions within a specified period may, by agreement of the insured and the insurer, be performed on the basis of a single insurance agreement—a general policy.

2. The insured, in regard to each lot of property covered by the general policy, must report to the insurer the information specified by such policy within the time provided by it, and if such time is not specified—immediately upon its receipt. The insured is not absolved of this responsibility even if, at the moment of receipt of such information, the possibility of losses subject to compensation by the insurer had already passed.

3. At the demand of the insured, the insurer is obligated to issue insurance policies on individual lots of equipment, covered by the general policy.

In case of non-correspondence of the content of the insurance policy with the general policy, preference is given to the insurance policy.

Article 942. Significant conditions of insurance policy

1. In concluding an agreement for property insurance, agreement must be reached between the insured and the insurer regarding:

1) the specific property or other property interest which is the object of insurance;

2) the character of the event in the case of whose onset insurance is provided (insurance case);

3) the amount of the insurance sum;

4) the term of effect of the agreement.

2. In concluding an agreement on personal insurance, agreement must be reached between the insured and the insurer on the following:

1) the insured person;

2) the character of the event in the case of whose onset in the life of the insured person the insurance is implemented (insurance case);

3) the amount of the insurance sum;

4) the term of effect of the agreement.

Article 943. Determination of conditions of insurance agreement in rules of insurance

1. Conditions on which the insurance agreement is concluded may be defined in the standard rules of insurance of the corresponding type, adopted, approved or ratified by the insurer or by the association of insurers (insurance regulations).

2. The conditions contained in the insurance regulations and not included in the text of the insurance agreement (insurance policy) are mandatory for the insured (beneficiary), if the agreement (insurance policy) directly indicates the application of such rules, and if the rules themselves are presented in the same document with the agreement (insurance policy), or on the reverse side, or are appended to it. In the latter case, presentation of the insurance regulations to the insured in concluding the agreement must be certified by a notation in the agreement.

3. In concluding an insurance agreement, the insured and the insurer may agree on change or exclusion of

individual principles of the insurance regulations and on additional rules.

4. The insured (beneficiary) has the right to refer, in defense of his interests, to the insurance regulations of the appropriate type, to which reference is made in the insurance agreement (insurance policy), even if these regulations are not mandatory by virtue of the present article.

Article 944. Information presented to insured at the time of concluding insurance agreement

1. At the time of concluding an insurance agreement, the insured is obligated to inform the insurer of circumstances which are known to the insured and which have significant importance for determining the probability of onset of the insurance case and the amount of possible losses from its onset (insurance risk), if these circumstances are not known and should not have to be known to the insurer.

Significant circumstances, in any case, are considered to be those which are specifically stipulated by the insurer in the standard form of the insurance agreement (insurance policy), or in its written questionnaire.

2. If the insurance agreement is concluded in the absence of any answers given by the insured to the questions of the insurer, the insurer cannot subsequently demand dissolution of the agreement or its invalidity on the grounds that the appropriate circumstances were not reported by the insured.

3. If, after conclusion of the insurance agreement, it is determined that the insured reported knowingly false information to the insurer regarding the circumstances indicated in point 1 of the present article, the insurer has the right to demand that the agreement be deemed invalid, with application of consequences specified in point 2, Article 179 of the present Code.

The insurer cannot demand that the insurance agreement be deemed invalid if the circumstances which the insured failed to report no longer apply.

Article 945. Right of insurer to appraise insurance risk

1. In conclusion of a property insurance agreement, the insurer has the right to perform inspection of the insured property, and if necessary to appoint an expert commission for purposes of determining its actual valuation.

2. In concluding an agreement on personal insurance, the insurer has the right to perform an examination of the insured person for the purpose of evaluating his actual state of health.

3. The appraisal of insurance risk by the insurer on the basis of the present article is not mandatory for the insured, who has the right to prove otherwise.

Article 946. Insurance confidence

The insurer does not have the right to publicize information received by him as a result of his professional activity concerning the policyholder, the insured person and the beneficiary, the state of their health, and likewise the property status of these persons. For violation of the insurance confidence, the insurer, depending on the type of rights violated and the character of the violation, bears liability in accordance with the rules specified in Article 139 or Article 150 of the present Code.

Article 947. Insurance sum

1. The sum within the limits of which the insurer promises to pay out the insurance compensation under the agreement of property insurance or which he promises to pay out under the agreement of personal insurance (insurance sum), is defined by mutual agreement of the insured with the insurer in accordance with the rules specified by the present article.

2. In insuring property or entrepreneurial risk, if the insurance agreement does not specify otherwise, the insurance sum should not exceed their actual value (insurance value). Such value is considered to be:

—for property, its actual value at the place of location on the day of concluding the insurance agreement;

—for entrepreneurial risk, the losses from entrepreneurial activity which the insurer might expect to incur upon onset of the insurance case.

3. In agreements on personal insurance and agreements on insurance of civil liability, the insurance sum is determined by the parties at their discretion.

Article 948. Challenging insurance value of property

The insurance valuation of property specified in the insurance agreement may not be subsequently challenged, with the exception of cases when the ensurer, who did not exercise his right to appraisal of the insurance risk prior to conclusion of the agreement (point 1, Article 945), was intentionally deceived regarding this value.

Article 949. Incomplete property insurance

If the agreement on insurance of property or entrepreneurial risk specifies an insurance sum which is lower than the insurance valuation, the insurer, upon onset of the insurance case, is obligated to compensate the insured (beneficiary) the part of the losses incurred by the latter in proportion to the ratio of the insurance sum to the insurance valuation.

The agreement may specify a higher amount of insurance compensation, but not to exceed the insurance valuation.

Article 950. Supplemental property insurance

1. In the case when the property or entrepreneurial risk are insured for only part of the insurance valuation, the insured (beneficiary) has the right to perform supplemental insurance, including from another insurer, but with the provision that the overall insurance sum under all insurance agreements does not exceed the insurance valuation.

2. Failure to adhere to the principles of point 1 of the present article entails the consequences specified in point 4, Article 951 of the present Code.

Article 951. Consequences of insurance in excess of insurance valuation

1. If the insurance sum specified in the agreement on insurance of property or entrepreneurial risk exceeds the insurance valuation, the agreement is invalid in that part of the insurance sum which exceeds the insurance valuation.

The excess part of the insurance premium paid is not subject to refund in this case.

2. If, in accordance with the insurance agreement, the insurance premium is paid in installments, and at the moment of determining the circumstances indicated in point 1 of the present article it has not been paid in full, the remaining insurance premiums must be paid in the amount reduced proportionately to the reduction in amount of insurance sum.

3. If the increased insurance sum in the insurance agreement is the result of fraud on the part of the insured, the insurer has the right to demand invalidation of the agreement and compensation of the losses inflicted upon him by this in the amount exceeding the sum of the insurance premium received by him from the insured.

4. The rules specified in points 1-3 of the present article are respectively applied also in the case when the insurance sum exceeds the insurance valuation as a result of insuring the same object with two or several insurers (double insurance).

The sum of insurance compensation subject to payment in this case by each of the insurers is reduced in proportion to the reduction in the initial insurance sum under the appropriate insurance agreement.

Article 952. Property insurance against various insurance risks

1. Property and entrepreneurial risk may be insured against various insurance risks under one as well as under separate insurance agreements, including under agreements with different insurers.

In these cases, it is permitted to exceed the amount of the overall insurance sum under all agreements over the insurance valuation.

2. If the obligation of the insurers to pay out insurance compensation for the same consequences of onset of one and the same insurance case results from two or several agreements concluded in accordance with point 1 of the present article, the rules specified in point 4, Article 951 of the present code are applied to such agreements.

Article 953. Co-insurance l The object of insurance may be insured under one insurance agreement jointly by several insurers (co-insurance). If the rights and obligations of each of the insurers are not specified in such agreement, they bear joint responsibility to the insured party (beneficiary) for payment of insurance compensation under the property insurance agreement or the insurance sum under the agreement on personal insurance.

Article 954. Insurance premium and insurance payments

1. The insurance premium is understood to be the payment for insurance which the insured (beneficiary) is obligated to pay the insurer in accordance with the procedure and in the times which are specified in the insurance agreement.

2. The insurer, in determining the amount of the insurance premium subject to payment under the insurance agreement, has the right to apply insurance rates developed by him which determine the premium charged per unit of insurance sum, with consideration of the object of insurance and the character of the insurance risk.

In the cases specified by law, the amount of the insurance premium is determined in accordance with the insurance rates established and regulated by the agencies of state insurance inspection.

3. If the insurance agreement provides for payment of the insurance premium in installments, the agreement may define the consequences of failure to pay the regular insurance payments within the specified times.

4. If the insurance case ensued prior to making the regular insurance payment, which is overdue, the insurer has the right, in determining the amount of insurance

compensation subject to payment under the property insurance agreement or the insurance sum under the agreement on personal insurance, to credit the sum of overdue insurance premium.

Article 955. Changing insured person

1. In the case when, in accordance with the agreement on insuring risk of liability for infliction of harm (Article 931), the liability of a person other than the policyholder is insured, the latter has the right, unless otherwise specified by the agreement, to substitute another person at any time prior to the onset of the insurance case, giving the insurer written notification of this fact.

2. The insured person named in the agreement on personal insurance may be substituted by the policyholder for another person only with the consent of the insured person himself and the insurer.

Article 956. Changing beneficiary

The insured has the right to change the beneficiary named in the insurance agreement for another person, giving written notification of this fact to the insurer. The change of beneficiary under an agreement on personal insurance, who has been named with the consent of the insured party (point 2, Article 934) is permitted only with the consent of this party.

The beneficiary cannot be changed by another person after he has fulfilled any obligation whatsoever under the insurance agreement, or has filed with the insurer a claim for payment of the insurance compensation or insurance sum.

Article 957. Effectiveness of insurance agreement

1. The insurance agreement, unless it specifies otherwise, becomes effective from the moment of payment of the insurance premium or its first installment.

2. Insurance specified in the insurance agreement applies to insurance cases which have occurred after the insurance agreement goes into effect, if the agreement does not specify a different term for the effectiveness of the insurance.

Article 958. Early termination of insurance agreement

1. The insurance agreement is terminated prior to onset of the term for which it was concluded if, after it goes into effect, due to the possibility of onset of the insurance case the payment and existence of the insurance risk have ceased for circumstances other than the insurance case. Among such circumstances, specifically are:

—loss of the insured property for reasons other than the onset of the insurance case;

—termination of entrepreneurial activity in accordance with the established procedure by the person who insured the entrepreneurial risk or risk of civil liability associated with this activity.

2. The insurer (beneficiary) has the right to reject the insurance agreement at any time, if by the moment of rejection the possibility of onset of the insurance case has not ceased for circumstances indicated in point 1 of the present article.

3. In the case of early termination of the insurance agreement for circumstances indicated in point 1 of the present article, the insurer has the right to part of the insurance premium, proportionate to the time during which the insurance was in effect.

In the case of early cancellation of the insurance agreement by the insured (beneficiary), the insurance premium paid to the insurer is not subject to refund, unless otherwise specified by the agreement.

Article 959. Consequences of increased insurance risk during the period of effect of insurance agreement

1. In the period of effect of the property insurance agreement, the insured (beneficiary) is obligated to immediately inform the insurer of significant changes in circumstances which have become known to him, reported to the insurer at the time of concluding the agreement, if these changes may significantly influence an increase in the insurance risk.

Significant changes, in any case, are considered to be those stipulated in the insurance agreement (insurance policy) and the insurance regulations given to the policyholder.

2. The insurer, who has been notified of circumstances entailing an increase in the insurance risk, has the right to demand a change in the conditions of the insurance agreement or payment of additional insurance premium, commensurate with the increased risk.

If the insured (beneficiary) objects to the change in conditions of the insurance agreement or payment of additional insurance premiums, the insurer has the right to demand dissolution of the agreement in accordance with the rules specified in Chapter 29 of the present Code.

3. If the insured or beneficiary does not fulfill the obligation specified in point 1 of the present article, the insurer has the right to demand dissolution of the insurance agreement and compensation of the losses

inflicted by dissolution of the agreement (point 5, Article 453).

4. The insurer does not have the right to demand dissolution of the insurance agreement if the circumstances entailing increased insurance risk no longer apply.

5. In the case of personal insurance, the consequences of change in insurance risk during the period of effect of the insurance agreement, specified in points 2 and 3 of the present article, may ensue only if they are directly specified in the agreement.

Article 960. Transfer of rights to insured property to another person

Upon transfer of rights to insured property from the person in whose interests the insurance agreement was concluded to another person, the rights and obligations under this agreement pass to the person to whom the rights to the property passed, with the exception of cases of forced confiscation of property on the grounds specified in point 2, Article 235 of the present Code, and refusal of the right of ownership (Article 236).

A person to whom rights on insured property have passed must immediately notify the insurer of this fact in writing.

Article 961. Notification of insurer of onset of insurance case

1. The insured under the property insurance agreement, after he has learned of the onset of the insurance case, must immediately notify the insurer or his representative of its onset. If the agreement specifies a time and (or) method of notification, it must be performed within the specified time and by the means specified in the agreement.

A beneficiary who knows of the conclusion of the insurance agreement in his favor has the same responsibility, if he intends to exercise the right to insurance compensation.

2. Failure to fulfill the obligation specified in point 1 of the present article gives the insurer the right to refuse payment of the insurance compensation, if it is not proven that the insurer learned of the onset of the insurance case in a timely manner, or that the absence of the insurer's knowledge of this could not have influenced his obligation to pay out the insurance compensation.

3. The rules specified in points 1 and 2 of the present article, respectively, are applied to the agreement on personal insurance, if the insurance case is the death of the insured person or infliction of harm to his health. In this case, the term of notification of the insurer specified in the agreement may not be less than 30 days.

Article 962. Reduction of losses from insurance case

1. Upon the onset of the insurance case specified in the property insurance agreement, the insured is obligated to take measures which are reasonable and accessible under the circumstances to minimize the losses.

In taking such measures, the insured must follow the instructions of the insurer, if they have been conveyed to the insured.

2. Expenditures for purposes of minimizing losses subject to compensation by the insurer, if such expenditures were necessary or were performed for fulfillment of the insurer's instructions, must be compensated by the insurer, even if the said measures proved to be unsuccessful.

Such expenditures are compensated in proportion of the ratio of the insurance sum to the insurance valuation, regardless of the fact that, together with the compensation of other losses, they may exceed the insurance sum.

3. The insurer is excused from compensation of losses arising from the fact that the insured intentionally did not take reasonable and accessible measures to minimize possible losses.

Article 963. Consequences of onset of insurance case at the fault of the policyholder, beneficiary or insured person

1. The insurer is excused from payment of insurance compensation of insurance sum if the insurance case occurred as a result of the intent of the policyholder, beneficiary or insured person, with the exception of cases specified in points 2 and 3 of the present article.

The law may specify cases of exempting the insurer from payment of the insurance compensation under property insurance agreements upon the onset of the insurance case as a result of gross negligence of the policyholder or beneficiary.

2. The insurer is not excused from payment of insurance compensation under the agreement on insurance of civil liability for infliction of harm to life or health, if the harm is inflicted at the fault of the person responsible for it.

3. The insurer is not excused from payment of the insurance sum, which under the agreement of personal insurance is subject to payment in case of death of the insured person, if his death ensued as a result of suicide

and if by that time the insurance agreement had already been in effect for no less than 2 years.

Article 964. Grounds for excusing insurer from payment of insurance compensation and insurance sum

1. If the law or insurance agreement do not specify otherwise, the insurer is excused from payment of insurance compensation and insurance sum when the insurance case occurred as a result of:

—effect of nuclear explosion, radiation or radioactive contamination;

—military actions, and likewise maneuvers or other military exercises;

—civil war, public unrest of any kind, or strikes.

2. If the property insurance agreement does not specify otherwise, the insurer is excused from payment of insurance compensation for losses arising as a result of seizure, confiscation, requisition, arrest or destruction of insured property at the order of state agencies.

Article 965. Transfer of policyholder's rights on compensation of loss to insurer (subrogation)

1. If the property insurance agreement does not specify otherwise, the insurer who has paid out insurance compensation assumes the right of demand within the limits of the paid sum, which the insured (beneficiary) has to the person responsible for the losses compensated as a result of insurance. Moreover, a condition of the agreement which excludes the insurer's assumption of the right of demand to the person intentionally inflicting losses is invalid.

2. The right of demand which has passed to the insurer is exercised by him with adherence to the rules regulating relations between the insured (beneficiary) and the person responsible for the losses.

3. The insured (beneficiary) is obligated to hand over to the insurer all documents and evidence, and to report to him all information necessary for the insurer to exercise the right of demand which has been transferred to him.

4. If the insured (beneficiary) rejects his right of demand to the person responsible for the losses compensated by the insurer, or if it has become impossible to exercise this right at the fault of the insured (beneficiary), the insurer is excused from payment of the insurance compensation in full or in the appropriate part, and has the right to demand refund of the excess payment of the sum of compensation.

Article 966. Statute of limitations on demands associated with property insurance

A claim on demands stemming from a property insurance agreement may be filed within the course of 2 years.

Article 967. Reinsurance

1. The risk of payment of insurance compensation or insurance sum assumed by the insurer under the insurance agreement may be insured by him in full or in part with another insurer (insurers), in accordance with an agreement of reinsurance concluded with the latter.

2. The rules specified in the present chapter and subject to application in regard to insurance of entrepreneureal risk apply to the reinsurance agreement, if the reinsurance agreement does not specify otherwise. In this case, the insurer under the insurance agreement (primary agreement) who has concluded an agreement on reinsurance, is considered to be the insured in this latter agreement.

3. In the case of reinsurance, the insurer under this agreement remains liable to the insured under the primary insurance agreement for payment of insurance compensation or insurance sum.

4. The successive conclusion of two or several reinsurance agreements is permitted.

Article 968. Group insurance

1. Citizens and legal entities may insure their property and other property interests specified in point 2, Article 929 of the present Code, on a mutual basis by means of combining the funds necessary for this purpose in group insurance companies.

2. Group insurance companies perform insurance of property and other property interests of their members, and are non-commercial organizations.

The specifics of the legal status of group insurance companies and the conditions of their activity are defined in accordance with the present Code and with the law on group insurance.

3. Insurance of property and property interests of its members provided by group insurance companies is performed directly on the basis of membership, if the charter documents of the company do not specify conclusion of insurance agreements in these cases.

The rules specified in the present chapter are applied to insurance relations between the group insurance company and its members, unless otherwise specified by the law on group insurance, the charter documents of the appropriate company, or the insurance regulations established by it.

4. Performance of mandatory insurance by means of group insurance is permitted in cases specified by the law on group insurance.

5. A group insurance company may, in the capacity of insurer, perform insurance of interests of persons who are not members of the company, if such insurance activity is specified in its charter documents, if the company is structured in the form of a commercial organization and has a permit (license) for performing insurance of the appropriate type, and if it meets other requirements specified by the law on organization of the insurance business.

Insurance of the interests of persons who are not members of the group insurance company is performed by the company based upon insurance agreements and in accordance with the rules specified in this chapter.

Article 969. Mandatory state insurance

1. For purposes of provision of social interests of citizens and the interests of the state, the law may specify mandatory state insurance of life, health and property of state employees of certain categories.

Mandatory state insurance is performed at the expense of funds allocated for these purposes from the appropriate budget by ministries and other federal agencies of executive power (insurer).

2. Mandatory state insurance is performed directly on the basis of laws and other legal statutes on such insurance by state insurance organizations and other state organizations (insurers) specified in these statutes, or on the basis of insurance agreements concluded in accordance with these statutes by insurers and policyholders.

3. Mandatory state insurance is paid for by the insurer in the amount specified by the laws and other legal statutes on such insurance.

4. The rules specified in the present chapter are applied to mandatory state insurance, unless otherwise specified by the laws and other legal statutes on such insurance or results from the essence of the appropriate relations on insurance.

Article 970. Application of general rules on insurance to special types of insurance

Rules specified in the present chapter are applied to relations on insuring foreign investments against noncommercial risks, maritime insurance, medical insurance, insurance of bank deposits and insurance of pensions, insofar as the laws on these types of insurance do not specify otherwise.

Chapter 49. AUTHORIZATION

Article 971. Authorization agreement

1. According to the authorization agreement, one party (attorney) promises to perform specific legal actions, on a singular or ongoing basis, in the name of and at the expense of the other party (principal). The rights and liabilities under a deal concluded by the attorney apply directly to the principal.

2. The authorization agreement may be concluded with indication of the term during which the attorney has the right to act in the name of the principal, or without such indication.

Article 972. Remuneration of attorney

1. The principal is obligated to pay the attorney remuneration, if this is specified by law, by other legal statutes, or by the authorization agreement.

In cases when the authorization agreement is associated with performance of entrepreneurial activity by both parties or by one of them, the principal must pay the attorney remuneration, unless otherwise specified by the agreement.

2. In the absence of the condition on amount of remuneration and order of its payment, remuneration is paid after fulfillment of the authorization in the amount determined in accordance with point 3, Article 424 of the present Code.

3. The attorney acting as a commercial representative (point 1, Article 184) has the right, in accordance with Article 359 of the present Code, to withhold the items in his possession which are subject to transfer to the principal, in order to ensure his demands under the authorization agreement.

Article 973. Fulfillment of authorization in accordance with instructions of principal

1. The attorney is obligated to fulfill the authorization given to him in accordance with the instructions of the principal. The instructions of the principal must be lawful, realizable and specific.

2. The attorney has the right to deviate from the instructions of the principal, if by the circumstances of this case this is necessary in the interests of the principal and the attorney could not query the principal ahead of time, or did not receive response to such query within a reasonable time. The attorney must notify the principal of the allowed deviations, as soon as notification is possible.

3. The principal may grant the attorney acting in the capacity of commercial representative (point 1, Article

184) the right to deviate from his instructions, in the interests of the principal and without preliminary query. In this case, the commercial representative must, within a reasonable time, notify the principle of the deviations which were allowed, unless otherwise specified in the authorization agreement.

Article 974. Obligations of attorney

The attorney is obligated to:

—personally fulfill the authorization given to him, with the exception of cases specified in Article 976 of the present Code;

—report to the principal, at his request, all information on the course of fulfillment of the authorization;

—hand over to the principal, without delay, everything received in connection with deals concluded in fulfillment of the authorization;

—upon fulfillment of the authorization or upon termination of the authorization agreement prior to its fulfillment, return the power of attorney without delay to the principal, if its term of effectiveness has not expired, and give a report with appended substantiating documents, if this is required by the conditions of the agreement or the nature of the authorization.

Article 975. Obligations of principal

1. The principal is obligated to issue to the attorney a power of attorney (powers of attorney) for performing legal actions specified in the authorization agreement, with the exception of cases specified in paragraph 2, point 1, Article 182 of the present Code.

2. The principal must also, unless otherwise specified in the agreement:

—compensate the attorney for incurred expenditures;

—provide the attorney with funds necessary for fulfillment of the authorization;

3. The principal must, without delay, accept from the attorney everything performed by him in accordance with the authorization agreement.

4. The principal is obligated to pay the attorney a remuneration, if in accordance with Article 972 of the present Code the authorization agreement is a compensatory one.

Article 976. Transfer of fulfillment of authorization

1. The attorney has the right to transfer fulfillment of an authorization to another person (assistant) only in the cases and on the conditions specified in Article 187 of the present Code.

2. The principal has the right to reject the assistant selected by the attorney.

3. If a possible assistant to the attorney is named in the authorization agreement, the attorney is not responsible either for his selection or for his management of affairs.

If the right of the attorney to hand over fulfillment of the authorization to another person is not specified in the agreement, or if it is specified, but the assistant is not named in it, the attorney is responsible for selection of the assistant.

Article 977. Termination of authorization agreement

1. The authorization agreement is terminated as a result of:

—revokation of the authorization by the principal;

—refusal of attorney;

—death of the principal or the attorney, or ruling that either of them is incompetent, of limited competency, or a missing person.

2. The principal has the right to revoke the authorization, and the attorney the right to reject it at any time. Any agreement on rejection of this right is null and void.

3. The party which rejects an authorization agreement specifying the actions of the attorney in the capacity of a commercial representative must notify the other party of termination of the agreement no later than 30 days prior to such termination, if a longer term is not specified by the agreement.

In the case of reorganization of a legal entity which is a commercial representative, the principal has the right to cancel the authorization without such prior notification.

Article 978. Consequences of termination of authorization agreement

1. If the authorization agreement is terminated prior to such time as the authorization is fulfilled in full by the attorney, the principal is obligated to compensate the attorney the expenditures incurred by him in fulfillment of the authorization, and when remuneration is due to the attorney—to also pay him the remuneration commensurate to the work performed by him. This rule is not applied to the attorney's fulfillment of authorization after he has learned or should have learned of the termination of such authorization.

2. Withdrawal of the authorization by the principal does not constitute grounds for compensation of losses incurred by the attorney from termination of the agreement, with the exception of cases of termination of an agreement which provides for actions of the attorney in the capacity of a commercial representative.

3. Refusal of the attorney to fulfill the principal's authorization does not constitute grounds for compensation of losses incurred by the principal in termination of the agreement, with the exception of cases of the attorney's refusal under conditions when the principal is deprived of the possibility of ensuring his interests in any other way, and likewise refusal to fulfill an agreement which provides for actions of the attorney in the capacity of a commercial representative.

Article 979. Obligations of heirs of the attorney and liquidator of legal entity acting as attorney

In case of death of the attorney, his heirs are obligated to inform the principal of termination of the authorization agreement and to take measures necessary for protecting the property of the principal, specifically to ensure safekeeping of his items and documents, and then to hand this property over to the principle.

The same obligation applies to the liquidator of a legal entity which is acting as the attorney.

Chapter 50. ACTIONS PERFORMED ON BEHALF OF ANOTHER WITHOUT AUTHORIZATION

Article 980. Conditions of actions on behalf of another

1. Actions performed without authorization, other instruction or previously promised consent of the interested party for purposes of preventing harm to his person or property, fulfillment of his obligations or in his other lawful interests (actions in another's behalf) must be performed based on obvious profit or benefit and real or probable intentions of the interested party, and with the care and circumspectness necessary under the circumstances of the matter.

2. Rules specified in the present chapter do not apply to actions on behalf of other persons performed by state and municipal agencies, for which such actions are one of the purposes of their activity.

Article 981. Notification of interested party about actions on his behalf

1. A person acting on behalf of another is obligated to inform the interested party of this at his first opportunity, and to wait a reasonable time for his decision on approval or disapproval of the actions which have been undertaken, provided such waiting does not entail serious detriment to the interested party.

2. The interested party need not be specially informed of actions performed on his behalf if such actions were undertaken in his presence.

Article 982. Consequences of interested party approving actions performed on his behalf

If a person on whose behalf actions are undertaken without his authorization approves such actions, the rules on the authorization agreement or other agreement corresponding to the character of the performed actions are subsequently applied to the relations of the parties, even if the approval was verbal.

Article 983. Consequences of failure of interested party to approve actions performed on his behalf

1. Actions on behalf of another, undertaken after the person who is performing them learns that they are not approved by the interested party, do not entail liabilities either in regard to the person performing these actions, or in regard to third persons.

2. Actions performed for the purpose of averting danger to the life of a person who is in danger are permitted even against the will of this person, and fulfillment of the obligation on support of someone—against the will of the person who bears this responsibility.

Article 984. Compensation of losses to person acting on behalf of another

1. Necessary expenditures and other real loss incurred by a person acting on behalf of another in accordance with the rules specified in the present chapter are subject to compensation by the interested party, with the exception of expenditures which were caused by actions specified in point 1, Article 983 of the present Code.

The right to compensation of necessary expenditures and other real loss is retained even in the case when the actions on behalf of another did not lead to the expected result. However, in the case of prevention of loss to property of another person, the amount of compensation should not exceed the value of the property.

2. Expenditures and other losses of a person acting on behalf of another, incurred by him in connection with actions which were undertaken after receiving approval from the interested party (Article 982), are compensated according to the rules on the agreement of the appropriate type.

Article 985. Remuneration for actions on behalf of another

A person whose actions on behalf of another led to a positive result for the interested party has the right to receive remuneration, if such right is specified by law, by agreement with the interested party, or by the customs of business practice.

Article 986. Consequences of deal on behalf of another

Obligations under a deal concluded on behalf of another person are transferred to the person in whose interests it was concluded, provided that he approved this deal, and that the other party does not object to such transfer, or at the time of concluding the deal it knew or should have known that the deal was concluded on behalf of another.

Upon transfer of obligations under such a deal to the person on behalf of whom it was concluded, the latter must also be granted the rights resulting from such deal.

Article 987. Unjustified enrichment as a result of actions on behalf of another

If actions which were not directly aimed at ensuring the interests of another person, including in the case when the person performing them erroneously believed that he was acting in his own interest, led to unjustified enrichment of the other person, the rules specified in Chapter 60 of the present Code are applied.

Article 988. Compensation of harm inflicted by actions performed on behalf of another

Relations on compensation of harm inflicted by actions performed on behalf of another upon an interested party or upon third persons are regulated by the rules specified in Chapter 59 of the present Code.

Article 989. Report of person acting on behalf of another

The person acting on behalf of another is obligated to present a report to the persons in whose interest the activity was performed, with indication of the obtained income and incurred expenditures, as well as other losses.

Chapter 51. COMMISSION

Article 990. Commission agreement

1. According to the commission agreement, one party (broker) promises, at the authorization of another party (client) to perform, for remuneration, one or several deals in his name at the expense of the client.

In accordance with the deal performed by the broker with a third party, the broker acquires the rights and becomes liable, even though the client was named in the deal or entered into direct relations with the third party in fulfillment of the deal.

2. The commission agreement may be concluded for a specified term or without indication of the term of its effectiveness, with or without indication of the territory on which it is to be fulfilled, with the obligation of the client not to grant third parties the right to perform deals in his interests or at his expense, if performance of such deals is assigned to the broker, or without such obligation, and with or without conditions regarding the assortment of goods which are the object of commission.

3. The law and other legal statutes may specify the peculiarities of individual types of commission agreements.

Article 991. Commission remuneration

1. The client is obligated to pay remuneration to the broker, and in the case when the broker has assumed guarantee for fulfillment of a deal by a third party (business executor), also additional remuneration in the amount specified in the commission agreement.

If the agreement does not specify the amount of remuneration or the order of its payment, and the amount of remuneration cannot be determined from the conditions of the agreement, remuneration is paid after fulfillment of the commission agreement in the amount determined in accordance with point 3, Article 424 of the present Code.

2. If the commission agreement was not fulfilled for reasons depending on the client, the broker retains the right to the commission remuneration, and likewise to compensation of incurred expenditures.

Article 992. Fulfillment of commission authorization

The broker is obligated to fulfill the authorization assumed by him on the most favorable conditions for the client and in accordance with the client's instructions, and in the absence of such instructions in the commission agreement—in accordance with the customs of business practice or other generally presented requirements.

In the case when the broker has concluded a deal on conditions which are more favorable than those which were specified by the client, the additional profits are divided up between the client and the broker equally, unless otherwise specified by mutual agreement of the parties.

Article 993. Liability for failure to fulfill deal concluded for client

1. The broker is not answerable to the client for a third party's non-fulfillment of a deal concluded with him for the client, except for cases when the broker did not exhibit the necessary circumspectness in choosing this person, or if he assumed guarantee of fulfillment of the deal.

2. In the case of a third party's failure to fulfill a deal concluded with him by the broker, the broker must immediately inform the client of this fact, gather the necessary proof, and also at the demand of the client hand over to him the rights under such deal, with adherence to the rules on cession of demands (Article 382-386, 388, 389).

3. Cession of rights to the broker in the deal on the basis of point 2 of the present article is permitted regardless of the broker's agreement with the third party which prohibits or limits such concession. This does not absolve the broker of liability to the third party in connection with cession of the right in vaiolation of the agreement on its prohibition or limitation.

Article 994. Subcommission

1. Unless otherwise specified by the commission agreement, the broker has the right, for purposes of fulfilling this agreement, to conclude a subcommission agreement with another party, remaining liable to the client for the actions of the sub-broker.

According to the subcommission agreement, the broker acquires the rights and responsibilities of a client in regard to the sub-broker.

2. Prior to termination of the commission agreement, the client does not have the right to enter into direct relations with the sub-broker without the consent of the broker, unless otherwise specified by the commission agreement.

Article 995. Deviations from client's instructions

1. The broker has the right to deviate from the client's instructions if, according to the circumstances of the case, this is necessary in the interests of the client, and if the broker could not query the client ahead of time or did not receive an answer to his query within reasonable time. The broker must notify the client regarding the allowed deviations as soon as such notification becomes possible.

The broker, acting in the capacity of entrepreneur, may be granted the right by the client to deviate from his instructions without prior request. In this case, the broker must notify the client of allowed deviations within a reasonable time, unless otherwise specified by the commission agreement.

2. The broker who sells property at a price below that agreed upon with the client is obligated to compensate the latter for the difference, if he does not prove that he was unable to sell the property at the agreed-upon price and that the sale at the lower price forestalled even greater losses. In the case when the broker was obligated to query the client ahead of time, the broker must also prove that he did not have the opportunity to receive preliminary consent of the client for deviation from his instructions.

3. If the broker has purchased property at a price higher than that agreed upon with the client, the client who does not want to accept such purchase is obligated to notify the broker of such fact within a reasonable time after receiving from him the notification of concluding the deal with the third party. Otherwise, the purchase is considered to have been accepted by the client.

If the broker has reported that he is assuming the difference in price at his own expense, the client has the right [as written] to refuse the deal which has been concluded for him.

Article 996. Rights to items which are is the object of commission

1. Items received by the broker from the client or acquired by the broker at the client's expense are the property of the latter.

2. In accordance with Article 359 of the present Code, the broker has the right to withhold items in his possession which are subject to transfer to the client or to a person indicated by the client, to ensure his demands under the commission agreement.

If the client is declared to be insolvent (bankrupt), the indicated right of the broker is terminated, and his demands to the client within the limits of the value of the items which he has withheld are satisfied in accordance with Article 360 of the present Code, on par with the demands which are guaranteed by security deposit.

Article 997. Satisfaction of broker's demands from sums due to the client

In accordance with Article 410 of the present Code, the broker has the right to withhold the sum due to him under the commission agreement from all the sums received by him for the client. However, the client's creditors, who have priority over security deposit holders in regard to sequence of satisfaction of their demands, are not deprived of the right to satisfaction of such demands from the sums withheld by the broker.

Article 998. Liability of broker for loss, shortage or damage to property of client

1. The broker is liable to the client for loss, shortage or damage of the client's property in his possession.

2. If, upon the broker's receipt of the property sent to him by the client or received by the broker for the client, damage or other shortcomings are discovered in this property which are noticeable upon outward inspection, and likewise in the case of infliction of loss by anyone whomsoever upon the client's property while in the possession of the broker, the broker is obligated to take measures to protect the client's rights, to collect the necessary proof and to inform the client of all this without delay.

3. A broker who has not insured the client's property in his possession is liable for it only in cases when the client instructed him to insure such property at the expense of the client, or if insurance of this property by the broker was specified in the commission agreement or by the customs of business practice.

Article 999. Broker's report

Upon fulfillment of the authorization, the broker is obligated to submit a report to the client and to hand over to him everything received in accordance with the commission agreement. A client who has objections to the report must state them to the broker within 30 days from the day of receipt of the report, if a different time is not specified by mutual consent of the parties. Otherwise, the report, in the absence of other agreement, is considered accepted.

Article 1000. Acceptance of fulfillment of commission agreement by the client

The client is obligated to:

—accept from the broker all that has been fulfilled in accordance with the authorization;

—examine the property acquired for him by the broker, and notify the latter without delay of any shortcomings discovered in this property;

—absolve the broker of liabilities assumed by him to third parties in fulfillment of the commission authorization.

Article 1001. Compensation of expenditures on fulfillment of commission authorization

The client is obligated, aside from payment of the commission remuneration, and in appropriate cases also additional remuneration for the credendum, to compensate the broker for the sums expended by him in fulfillment of the authorization.

The broker does not have the right to compensation of expenditures for storage of the client's property in his possession, unless otherwise specified by law or by the agreement.

Article 1002. Termination of commission agreement

The commission agreement is terminated as a result of:

—client's refusal to fulfill agreement;

—broker's refusal to fulfill agreement in cases specified by law or by the agreement;

—death of the broker, his being ruled incompetent, of limited competency or a missing person;

—ruling of individual entrepreneur who is the broker to be insolvent (bankrupt).

In the case of the broker's being found insolvent (bankrupt), his rights and obligations under deals concluded by him for the client in fulfillment of the latter's instructions pass to the client.

Article 1003. Withdrawal of commission authorization by client

1. The client has the right to refuse fulfillment of the commission agreement at any time, withdrawing the given commission authorization. The broker has the right to demand compensation of losses caused by withdrawal of the authorization.

2. In the case when the commision agreement is concluded without indication of the term of its effectiveness, the client must notify the broker of termination of the agreement no later than 30 days prior to such termination, if a longer term of notification is not specified in the agreement.

In this case, the client is obligated to pay the broker remuneration for the deals concluded by him prior to termination of the agreement, and also to compensate the broker for expenditures incurred by him prior to termination of the agreement.

3. In case of withdrawal of the authorization, the client is obligated, within the time specified in the commission agreement, and if such time is not specified, to dispose of the property held in administration of the broker without delay. If the client does not fulfill this obligation, the broker has the right to place the property in storage at the client's expense, or to sell it at the most profitable price possible for the client.

Article 1004. Refusal of broker to fulfill commission agreement

1. Unless otherwise specified in the commission agreement, the broker does not have the right to refuse its fulfillment, with the exception of the case when the agreement was concluded without indication of term of effectiveness. In this case, the broker must notify the client of termination of the agreement no later than 30 days prior to said termination, if a longer term of notification is not specified in the agreement.

The broker is obligated to take measures necessary to ensure the safekeeping of the client's property.

2. The client must dispose of his property which is under the management of the broker within a period of 15 days from the day of receiving notification of the broker's refusal to fulfill the authorization, if the commission agreement does not specify a different term. If he does not fulfill this obligation, the broker has the right to place the property in storage at the expense of the client, or to sell it at the most profitable price for the client.

3. If the commission agreement does not specify otherwise, the broker who has refused to fulfill the authorization retains the right to commission remuneration for deals concluded by him prior to termination of the agreement, and likewise for compensation of expenditures incurred prior to this moment.

Chapter 52. AGENCY

Article 1005. Agency agreement

1. According to the agency agreement, one party (agent) promises, for remuneration, to perform at the authorization of the other party (principal) legal and other actions in its name, but at the expense of the principal, or in the name of and at the expense of the principal.

According to the deal concluded by the agent with a third party in his name and at the expense of the principal, the agent acquires rights and becomes liable, even though the principal was named in the deal or entered into direct relations with the third party in fulfillment of the deal.

According to a deal concluded by the agent with a third party in the name of and at the expense of the principal, the rights and liabilities arise directly for the principal.

2. In cases when the agency agreement concluded in written form makes provision for general powers and authorities of the agent to conclude deals in the name of the principal, in relations with third parties the latter does not have the right to refer to the absence of the agent's proper powers and authorities, if he does not prove that the third party knew or should have known about the limitation of the agent's powers and authorities.

3. The agency agreement may be concluded for a specified term, or without indication of term of effectiveness.

4. The law may make provision for specifics of individual types of agency agreements.

Article 1006. Agent's remuneration

The principal is obligated to pay the agent remuneration in the amount and in accordance with the procedure specified in the agency agreement.

If the agency agreement does not specify the amount of the agent's remuneration and it cannot be determined based on the conditions of the agreement, remuneration is subject to payment in the amount determined in accordance with point 3, Article 424 of the present Code.

In the absence of conditions on the procedure of payment of the agent's remuneration in the agreement, the principal must pay the remuneration within a week from the moment the agent gives him the report for the preceding period, if a different order of payment of remuneration does not result from the essence of the agreement or the customs of business practice.

Article 1007. Limitation of rights of principal and agent by the agency agreement

1. The agency agreement may specify the obligation of the principal not to conclude analogous agency agreements with other agents operating on the territory specified in the agreement, or to refrain from performing independent activity analogous to the activity which comprises the object of the agent's agreement on the given territory.

2. The agency agreement may specify the agent's obligation not to conclude analogous agency agreements with other principals, which must be fulfilled on the territory which fully or partially coincides with the territory specified in the agreement.

3. The conditions of the agency agreement by virtue of which the agent has the right to sell goods, perform work or provide services exclusively to a specific category of buyers (customers) or exclusively to buyers (customers) having place of location or place of residence on the territory specified in the agreement, are invalid.

Article 1008. Reports of agent

1. In the course of fulfillment of the agency agreement, the agent is obligated to provide the principal with reports in the order and within the times which are

specified in the agreement. In the absence of appropriate conditions in the agreement, the reports are presented by the agent in the course of his fulfillment of the agreement, or upon expiration of effectiveness of the agreement.

2. If the agency agreement does not specify otherwise, the agent's report must have appended to it the necessary proof of expenditures performed by the agent at the expense of the principal.

3. A principal who has objections to the agent's report must inform the agent of them within 30 days from the day of receipt of the report, if a different term is not specified by mutual agreement of the parties. Otherwise, the report is considered accepted by the principal.

Article 1009. Subagency agreement

1. Unless otherwise specified in the agency agreement, the agent has the right, for purposes of fulfilling the agreement, to conclude a subagency agreement with another person, remaining liable to the principal for the actions of the subagent. The agency agreement may specify the obligation of the agent to conclude a subagency agreement with or without indication of the specific conditions of such agreement.

2. The subagent does not have the right to conclude deals with third parties in the name of the person who is the principal under the agency agreement, with the exception of cases when in accordance with point 1, Article 187 of the present Code the subagent may act on the basis of transfer of power of attorney. The order and consequences of such transfer of power of attorney are defined in the rules specified in Article 976 of the present Code.

Article 1010. Termination of agency agreement

The agency agreement is terminated as a result of:

—refusal of one of the parties to fulfill the agreement, concluded without specification of the term of expiration of its effectiveness;

—death of the agent, his incompetency or limited competency, or his being declared a missing person;

—ruling of insolvency (bankruptcy) of an individual entrepreneur who is an agent.

Article 1011. Application of rules on agreements of authorization and commission to agent's relations

The rules specified in Chapter 49 or Chapter 51 of the present Code are applied respectively to relations stemming from the agency agreement, depending on whether the agent is acting under conditions of this agreement in the name of the principal or in his own name, if these regulations do not contradict the principles of the present chapter or the essence of the agency agreement.

Chapter 53. TRUSTEESHIP OF PROPERTY

Article 1012. Agreement on trusteeship of property

1. According to the agreement on trusteeship of property, one party (founder of trust) hands over to the other party (trustee) property for trusteeship for a specified time, and the other party promises to implement management of this property in the interests of the founder of the trust or the person specified by him (beneficiary).

Transfer of property to trusteeship does not entail transfer of the right of ownership of it to the trustee.

2. In implementing trusteeship of property, the trustee has the right to perform any legal and actual operations with this property, in accordance with the trusteeship agreement and in the interests of the beneficiary.

The law or agreement may specify limitations in regard to various actions on trusteeship of property.

3. The trustee concludes deals with the property handed over to him for trusteeship in his own name, with indication of the fact that he is acting in capacity of such trustee. This condition is considered fulfilled if, in performing actions which do not require written formulation, the other party is informed of their performance by the trustee in this capacity, and in written documents, if after the name or title of the trustee there is the notation, "trustee."

In the absence of indication of the trustee's action in this capacity, the trustee becomes liable to third parties personally, or answer to them only with the property belonging to him.

Article 1013. Object of trusteeship

1. Objects of trusteeship may be enterprises and other property complexes, individual objects related to immovable property, securities, rights certified by undocumented securities, exclusive rights and other property.

2. Money may not be an independent object of trusteeship, with the exception of cases specified by law.

3. Property which is held in economic management or operative administration may not be handed over for trusteeship. Transfer to trusteeship of property which is under economic management or operative administration is possible only after liquidation of

the legal entity in whose economic management or operative administration such property is held, or by termination of the right of economic management or operative administration of the property and its transfer to proprietorship of the owner for other reasons specified by law.

Article 1014. Founder of trust

The founder of a trust is the owner of the property, and in the cases specified by Article 1026 of the present Code, some other person.

Article 1015. Trustee

1. The trustee may be an individual entrepreneur or commercial organization, with exception of a unitary enterprise.

In cases when trusteeship of property is performed on the grounds specified by law, the trustee may be a citizen who is not an entrepreneur, or a non-commercial organization, with the exception of an institution.

2. Property is not subject to transfer to trusteeship of a state agency or organ of local self-government.

3. The trustee may not be the beneficiary under the agreement on trusteeship of property.

Article 1016. Significant conditions of agreement on trusteeship of property

1. The agreement on trusteeship of property must specify:

—the complement of property being handed over for trusteeship;

—the name of the legal entity or name of citizen in whose interests trusteeship is being performed (founder of trust or beneficiary);

—the amount and form of remuneration of the trustee, if payment of remuneration is specified in the agreement;

—the term of effectiveness of the agreement.

2. The agreement on trusteeship of property is concluded for a term not to exceed 5 years. For certain types of property handed over for trusteeship, the law may specify other maximal terms for which the agreement may be concluded.

In the absence of statement by one of the parties regarding termination of the agreement, upon expiration of its term of effectiveness it is considered to be extended for the same term and on the same conditions as were specified in the agreement.

Article 1017. Form of agreement on trusteeship of property

1. The agreement on trusteeship of property must be concluded in written form.

2. The agreement on trusteeship of immovable property must be concluded in the form specified for the agreement on sale of immovable property. Transfer of immovable property to trusteeship is subject to state registration in accordance with the same procedure as the transfer of the right of ownership on this property.

3. Failure to adhere to the form of the agreement on trusteeship of property or to the demands on registration of transfer of immovable property to trusteeship invalidates the agreement.

Article 1018. Isolation of property held in trusteeship

1. Property handed over for trusteeship is held separately from other property of the founder of the trust, and likewise from the property of the trustee. This property is shown by the trustee on a separate balance sheet, and accounted for in separate manner. A separate bank account is opened for accounting under activity associated with trusteeship.

2. Filing of a claim for debts of the founder of the trust against property handed over by him to trusteeship is not permitted, with the exception of insolvency (bankruptcy) of this person. In the case of bankruptcy of the founder of the trust, the trusteeship of this property is terminated, and the property is included in the bulk of the estate put up for bid.

Article 1019. Transfer to trusteeship of property encumbered by security deposit

1. Transfer to trusteeship of property which has been used as a security deposit does not deprive the deposit holder of the right of imposing collection against this property.

2. The trustee must be given warning of the fact that the property being handed over to him for trusteeship is encumbered with a security deposit. If the trustee did not know and should not have known about the encumberment of the property handed over to him for trusteeship, he has the right to demand in court the dissolution of the agreement on trusteeship of property and payment of one year's remuneration due to him under the agreement.

Article 1020. Rights and obligations of trustee

1. The trustee, within the limits specified by law and by the agreement on trusteeship of property, exercises the rights and authorities of the owner in regard to property handed over to him for trusteeship. The trustee performs disposition of immovable property in cases specified by the trusteeship agreement.

2. The rights acquired by the trustee as a result of actions under trusteeship of property are included in the complement of the property handed over for trusteeship. The obligations arising as a result of such actions by the trustee are fulfilled at the expense of this property.

3. For protection of the rights to property held in trusteeship, the trustee has the right to demand any elimination of violation of his rights (Articles 301, 302, 304, 305).

4. The trustee presents the founder of the trust and the beneficiary a report of his activity within the time and in accordance with the procedure specified in the agreement on trusteeship of property.

Article 1021. Transfer of trusteeship of property

1. The trustee implements trusteeship of the property personally, except for the cases specified in point 2 of the present article.

2. The trustee may authorize another person to perform actions necessary for management of the property in the name of the trustee, if he is authorized to do so by the agreement on trusteeship of property, or if he has received written consent from the founder of the trust, or if he is forced to do so by virtue of circumstances in order to ensure the interests of the founder of the trust or the beneficiary and does not have the opportunity to receive instructions from the founder of the trust within reasonable time.

The trustee is responsible for the actions of the attorney selected by him, as if for his own.

Article 1022. Liability of trustee

1. A trustee, who in the course of his trusteeship does not exhibit proper care in regard to the interests of the beneficiary or founder of the trust, must compensate the beneficiary for the benefits lost during the time of trusteeship of property, and the founder of the trust for the losses inflicted by loss or damage of the property, with consideration for its natural wear, and likewise for lost benefits.

The trustee is liable for inflicted losses, if he does not prove that these losses occurred as a result of insurmountable force or actions of the beneficiary or founder of the trust.

2. Liabilities under a deal concluded by the trustee in excess of the powers and authorities granted to him or in violation of the limitations set for him are borne by the trustee personally. If third parties participating in the deal did not know and should not have known about [the trustee's] exceeding his powers and authorities or about the established limitations, the ensuing obligations are subject to fulfillment in accordance with the procedure specified in point 3 of the present article. In this case, the founder of the trust may demand compensation of the losses incurred by him from the trustee.

3. Debts under obligations arising in connection with trusteeship of property are repaid at the expense of this property. If this property is insufficient to cover such debts, collection may be imposed on the property of the trustee, and if his property is insufficient—on the property of the founder of the trust which has not been handed over for trusteeship.

4. The agreement on trusteeship of property may provide for the trustee's posting a security deposit to ensure compensation of the losses which may be inflicted upon the founder of the trust or the beneficiary for improper fulfillment of the trusteeship agreement.

Article 1023. Remuneration of trustee

The trustee has the right to remuneration specified in the agreement on trusteeship of property, and likewise to compensation of necessary expenditures performed by him in the course of trusteeship of the property, at the expense of the income from use of this property.

Article 1024. Termination of agreement on trusteeship of property

1. The agreement on trusteeship of property is terminated as a result of:

—death of the citizen who is the beneficiary, or liquidation of the legal entity-beneficiary, unless otherwise specified by the agreement;

—refusal of beneficiary to receive benefits under the agreement, unless otherwise specified by the agreement;

—death of the citizen who is the trustee; his being ruled incompetent or of limited competency, or declared to be a missing person, and likewise ruling of an individual entrepreneur to be insolvent (bankrupt);

—refusal of trustee or founder of the trust to perform trusteeship in connection with the trustee's inability to personally implement trusteeship of the property;

—rejection of the agreement by the founder of the trust for reasons other than those specified in paragraph five of the present point, under the condition of payment of remuneration specified in the agreement to the trustee;

—ruling of insolvency (bankruptcy) of a citizen-entrepreneur who is the founder of the trust.

2. If one party rejects the agreement on trusteeship of property, the other party must be notified of this fact 3 months prior to termination of the agreement, if a different term of notification is not specified in the agreement.

3. Upon termination of the trusteeship agreement, the property held in trusteeship is handed over to the founder of the trust, unless otherwise specified by the agreement.

Article 1025. Transfer of securities to trusteeship

Upon transfer of securities to trusteeship, provision may be made for consolidation of the securities handed over for trusteeship by various persons.

The powers and authorities of the trustee in disposition of the securities are defined in the trusteeship agreement.

Specifics of trusteeship of securities are defined by law.

The rules of the present article are applied respectively to the rights certified by non-documental securities (Article 149).

Article 1026. Trusteeship of property on grounds specified by law

1. Trusteeship of property may also be instituted:

—as a result of the need for ongoing administration of property of a ward in cases specified in Article 38 of the present Code;

—on the basis of a will which appoints the executor of this will;

—on other grounds specified by law.

2. The rules specified in the present chapter are applied respectively to relations on trusteeship of property instituted on grounds specified in point 1 of the present article, unless otherwise specified by law or results from the essence of such relations.

In cases when trusteeship of property is instituted on grounds specified in point 1 of the present article, the rights of the founder of the trust specified in the rules of the present chapter belong respectively to the agency of guardianship, the executor of the will, or other person specified in the law.

Chapter 54. COMMERCIAL CONCESSION

Article 1027. Commercial concession agreement

1. According to the commercial concession agreement, one party (holder of rights) promises to grant the other party (user), for remuneration and with or without specification of term, the right to use a set of exclusive rights belonging to the holder of rights in the entrepreneurial activity of the user. These include the right to use of a firm name and (or) commercial designation of the holder of the rights, the right to protected commercial information, and likewise to other objects of exclusive rights specified in the agreement—trademark, mark of service, etc.

2. The commercial concession agreement provides for the use of the set of exclusive rights, the business reputation and the commercial experience of the holder of the rights within a specified volume (specifically, with definition of the minimal and (or) maximal volume of use), and with or without indication of the territory of use and applicability to a specific sphere of entrepreneurial activity (sale of goods received from the holder of rights or produced by the user, provision of service, fulfillment of work, implementation of trade activity).

3. The parties to the commercial concession agreement may only be commercial organizations and citizens registered as individual entrepreneurs.

Article 1028. Form and registration of commercial concession agreement

1. The commercial concession agreement must be concluded in written form.

Failure to adhere to the written form of the agreement entails its invalidity. Such agreement is considered null and void.

2. The commercial concession agreement is registered by the agency performing registration of legal entity or individual entrepreneur acting under the agreement as the holder of the rights.

If the holder of rights is registered as a legal entity or individual entrepreneur in a foreign state, registration of the commercial concession agreement is performed by the agency performing registration of the legal entity or individual entrepreneur which is the user.

In relations with third parties, the parties to the commercial concession agreement have the right to refer to the agreement only from the moment of its registration.

The commercial concession agreement for use of an object protected in accordance with the patent legislation is subject to registration also in the federal organ of executive power in the sphere of patents and trademarks. In case of failure to adhere to this requirement, the agreement is considered invalid.

Article 1029. Commercial subconcession

1. The commercial concession agreement may specify the right of the user to allow other parties to use the set of exclusive rights or portion thereof on conditions of subconcession coordinated by him with the holder of the rights or defined in the commercial concession agreement. The agreement may also specify the obligation of the user to grant, within a specified period and to a specified number of persons, the right to use the stated rights on the conditions of subconcession.

The commercial subconcession agreement may not be concluded for a longer term that the commercial concession agreement on the basis of which it was concluded.

2. If the commercial concession agreement is invalid, the commercial subconcession agreements concluded on the basis of it are also invalid.

3. Unless otherwise specified by a commercial concession agreement concluded for a specified term, in the case of its early termination the rights and obligations of the secondary holder of rights under the commercial subconcession agreement (user under commercial concession agreement) pass to the holder of rights, if he does not refuse to accept the rights and obligations under this agreement. This rule is applied respectively in dissolution of a commercial concession agreement concluded without indication of term.

4. The user bears subsidiary liability for the harm inflicted upon the holder of rights by the actions of secondary users, unless otherwise specified by the commercial concession agreement.

5. The rules on commercial concession agreements are applied to the commercial subconcession agreement, unless otherwise resulting from the specifics of subconcession.

Article 1030. Form of remuneration under commercial concession agreement

Remuneration under the commercial concession agreement may be paid by the user to the holder of rights in the form of a fixed lump sum or in periodic payments, deductions from revenues, mark-ups on wholesale price of goods supplied by the holder of rights for resale, or in some other form specified by the agreement.

Article 1031. Obligations of holder of rights

1. The holder of rights is obligated to:

—hand over to the user technical and commercial documentation and to grant other information necessary for the user to exercise the rights granted to him under the commercial concession agreement, and likewise to instruct the user and his workers on questions associated with the implementation of these rights;

—issue to the user the licenses specified in the agreement, ensuring their formulation in accordance with the established procedure;

2. If the commercial concession agreement does not specify otherwise, the holder of rights is obligated to:

—provide for registration of the commercial concession agreement (point 2, Article 1028);

—provide the user with ongoing technical and consultative assistance, including assistance in instruction and advanced training of workers;

—control the quality of goods (services, work) produced (provided, performed) by the user on the basis of the commercial concession agreement.

Article 1032. Obligations of user

Taking into consider the character and specifics of activity performed by the user under the commercial concession agreement, the user is obligated:

—in performing the activity specified in the agreement, to use the firm name and (or) commercial designation of the holder of rights in the manner specified in the agreement;

—to ensure correspondence of quality of the goods produced by him on the basis of the agreement, the services provided and the work performed to the quality of analogous goods, services or work produced, provided or performed directly by the holder of the rights;

—to adhere to instructions and directions of the holder of rights aimed at ensuring correspondence of the character, methods and conditions of use of the exclusive rights included in the set of concessions to their use by the holder of rights, including instructions concerning external and internal formulation of commercial buildings utilized by the user, in the course of exercising the rights granted to him under the agreement;

—to provide the consumers (customers) all additional services which they might expect in acquiring (ordering) goods (services, work) directly from the holder of rights;

—to refrain from divulging production secrets of the holder of rights and other confidential commercial information received from him;

—to grant the stipulated number of subconcessions, if such obligation is directly specified in the agreement;

—to inform the consumers (customers) by the most obvious method regarding the fact that [the user] is using the firm name, commercial designation, trademark, sign of service and other means of individualization by virtue of commercial concession.

Article 1033. Limiting rights of the parties under the commercial concession agreement

1. The commercial concession agreement may provide for limitation of the rights of the parties to this agreement, and specifically may provide for:

—obligation of the holder of rights not to grant other persons analogous sets of exclusive rights for their use on the territory assigned to the user, or to refrain from his own analogous activity on this territory;

—obligation of the user not to compete with the holder of rights on the territory to which the effect of the commercial concession applies in regard to entrepreneurial activity performed by the user with the application of the exclusive rights belonging to the holder of rights;

—refusal of the user to receive analogous rights from competitors (potential competitors) of the holder of rights under commercial concession agreements;

—obligation of user to coordinate with the holder of rights the place of location of commercial buildings used in implementing the exclusive rights granted under the agreement, as well as their external and internal formulation.

The limiting conditions may be deemed invalid at the demand of the anti-monopoly agency or other interested party, if, taking into consideration the status of the appropriate market and the economic position of the parties, such conditions contradict the anti-monopoly legislation.

2. Such conditions which limit the rights of the parties under the commercial concession agreement are invalid if, by virtue of them:

—the holder of rights is entitled to determine the price of sale of the goods by the user or the price of work (services) performed (provided) by the user, or to establish upper or lower limits on the said prices;

—the user has the right to sell goods, perform work or provide services exclusively to a specific category of buyers (customers), or exclusively to buyers (customers) who are located (reside) on the territory specified in the agreement.

Article 1034. Liability of holder of rights for demands presented to user

The holder of rights bears subsidiary liability for demands presented to the user regarding noncorrespondence of quality of goods (work, services) sold (performed, provided) by the user under the commercial concession agreement.

For demands presented to the user, as well as to the producer of the products (goods) of the holder of rights, the holder of rights bears joint liability with the user.

Article 1035. Right of user to conclude commercial concession agreement for a new term

1. Upon expiration of the term of the commercial concession agreement, the user who has properly fulfilled his obligations has the right to conclude an agreement for a new term, on the same conditions.

2. The holder of rights is entitled to refuse conclusion of the commercial concession agreement for a new term under the condition that, within 3 years from the day of expiration of the term of the said agreement, he does not conclude analogous commercial concession agreements with other parties or agree to conclusion of analogous commercial subconcession agreements whose effect will apply to the same territory to which the expired agreement applied. In the case when, prior to expiration of the 3-year period, the holder of rights wishes to grant the same rights as were granted to the user under the expired agreement to anyone whomsoever, he is obligated to offer the user the opportunity of concluding a new agreement, or to compensate the losses incurred by him. Upon concluding the new agreement, its conditions must be no less favorable for the user than were the conditions of the expired agreement.

Article 1036. Amendment of commercial concession agreement

The commercial concession agreement may be amended in accordance with the rules in Chapter 29 of the present Code.

In relations with third parties, the parties to the commercial concession agreement have the right to refer to amendment of the agreement only from the moment of registration of such amendment in accordance with the procedure specified in point 2, Article 1028 of the present Code, if they do not prove that the third party knew or should have known of the amendment to the agreement prior to this time.

Article 1037. Termination of commercial concession agreement

1. Each of the parties to the commercial concession agreement concluded without indication of term has the right to cancel the agreement at any time, upon having given the other party 6 months prior notice of this fact, if a longer term is not specified.

2. Early dissolution of the commercial concession agreement concluded with indication of term, and likewise dissolution of an agreement concluded without indication of term, is subject to registration in accordance with the procedure specified in point 2, Article 1028 of the present Code.

3. In case of termination of the rights to the firm name or commercial designation belonging to the holder of the rights, without their replacement with analogous new rights, the commercial concession agreement is terminated.

4. If the holder of rights or user is declared to be insolvent (bankrupt), the commercial concession agreement is terminated.

Article 1038. Retention of commercial concession agreement in effect upon change of parties

1. Transfer to another person of some exclusive right included in the set of exclusive rights granted to the user does not constitute grounds for amendment or dissolution of the commercial concession agreement. The new holder of rights becomes the party to this agreement in the portion of the rights and obligations relating to the transferred exclusive right.

2. In case of death of the holder of rights, his rights and obligations under the commercial concession agreement pass to the heir, provided that he is registered or registers as an individual entrepreneur within 6 months from the day of learning of the inheritance. Otherwise, the agreement is terminated.

Exercise of rights and fulfillment of obligations of the deceased holder of rights prior to the heir's assumption of these rights and obligations, or until registration of the heir as an individual entrepreneur, is performed by the administrator appointed by a notary public.

Article 1039. Consequences of change in firm name or commercial designation of holder of rights

If the holder of rights changes his firm name or commercial designation, the right to use of which is included in the set of exclusive rights, the commercial concession agreement remains in effect in regard to the new firm name or commercial designation of the holder of rights, if the user does not demand dissolution of the agreement and compensation of losses. If the agreement is extended, the user has the right to demand commensurate reduction in the remuneration due to the holder of rights.

Article 1040. Consequences of termination of exclusive right whose use is granted under the commercial concession agreement

If, during the period of effectiveness of the commercial concession agreement, the term of effectiveness of the exclusive right whose use was granted under such agreement has expired, or if such right has been terminated for some other reason, the commercial concession agreement remains in effect, with the exception of the statutes relating to the terminated right, and the user, unless otherwise specified by the agreement, has the right to demand commensurate reduction in the remuneration due to the holder of rights.

In case of termination of rights to the firm name or commercial designation belonging to the holder of the rights, the consequences specified in point 2, Article 1037 and Article 1039 of the present Code ensue.

Chapter 55. SIMPLE PARTNERSHIP

Article 1041. Agreement on simple partnership

1. According to the agreement on simple partnership (agreement on joint activity), two or several parties (partners) promise to combine their respective contributions and to act jointly without formation of a legal entity for the purpose of extracting profit or achieving some other lawful purpose.

2. The parties to the agreement on simple partnership concluded for the purpose of performing entrepreneurial activity may only be individual entrepreneurs and (or) commercial organizations.

Article 1042. Contributions of partners

1. The contribution of a partner is understood to be all that he contributes to the common endeavor, including money, other property, professional and other knowledge, skills and abilities, as well as business reputation and business connections.

2. The contributions of the partners are presumed to be equal in value, unless otherwise resulting from the

agreement on simple partnership or the actual circumstances. Monetary appraisal of a partner's contribution is performed by mutual agreement of the partners.

Article 1043. Common property of partners

1. The property contributed by the partners, which they possessed with the right of ownership, and likewise the products produced as a result of joint activity and the fruits and income received from such activity, are considered to be their common shared property, unless otherwise specified by law or by the agreement on simple partnership, or results from the essence of the obligation.

The property contributed by the partners which they possessed on grounds differing from the right of ownership is used in the interests of all the partners and, along with the property held in their common ownership, constitutes the common property of the partners.

2. Performance of bookkeeping accounting of common property of partners may be assigned by them to one of the legal entities participating in the agreement on simple partnership.

3. Use of common property of the partners is performed with their mutual consent, and in case of failure to reach agreement—in accordance with the procedure specified by the court.

4. The obligations of the partners for maintaining the common property and the order of compensating expenditures associated with fulfillment of these obligations are defined by the agreement on simple partnership.

Article 1044. Administration of common affairs of partners

1. In administration of common affairs, each partner has the right to act in the name of all the partners, if the agreement on simple partnership does not specify that the administration of affairs is performed by individual participants or jointly by all participants in the agreement on simple partnership.

In the case of joint administration of affairs, the consent of all the partners is required for conclusion of each deal.

2. In relations with third parties, the powers and authorities of a partner to conclude deals in the name of all the partners is certified by a power of attorney, issued to him by the other partners, or by the agreement on simple partnership, executed in written form.

3. In relations with third parties, the partners may not refer to limitation of rights of a partner in concluding a deal on administration of the common affairs of the partners, with exception of cases when they prove that at the moment of conclusion of the deal the third party knew or should have known about the presence of such limitations.

4. The partner concluding a deal in the name of all the partners, in regard to which his right to administration of common affairs of the partners was limited, or one who has concluded a deal in the interests of all partners in his own name, may demand compensation of the expenditures incurred by him, if there were not sufficient grounds to believe that these deals were necessary in the interests of all the partners. Partners who incur losses as a result of such deals have the right to demand their compensation.

5. Decisions concerning the common affairs of the partners are adopted by the partners by mutual consent, unless otherwise specified in the agreement on simple partnership.

Article 1045. Right of partner to information

Each partner, regardless of whether he is authorized to administer the common affairs of the partners, has the right to familiarize himself with all the documentation on administration of affairs. Refusal of this right or its limitation, including by agreement of the partners, is invalid.

Article 1046. Common expenditures and losses of partners

The procedure of covering expenditures and losses associated with the joint activity of the partners is defined by their mutual agreement. In the absence of such agreement, each partner bears the expenditures and losses in proportion to the value of his contribution to the common endeavor.

An agreement which fully absolves one of the partners from participation in coverage of common expenditures or losses is invalid.

Article 1047. Liability of partners for common obligations

1. If the agreement on simple partnership is not associated with the performance of entrepreneurial activity by its participants, each partner answers for the common contractual obligations with all of his property, in proportion to the value of his contribution to the common endeavor.

The partners are jointly liable for common obligations arising not from the agreement.

2. If the agreement on simple partnership is associated with performance of entrepreneurial activity by its participants, the partners are jointly liable for all common

obligations, regardless of the grounds on which they arise.

Article 1048. Distribution of profits

Profits received by the partners as a result of their joint activity are distributed proportionately to the value of contributions of the partners to the common endeavor, unless otherwise specified by the agreement on simple partnership or by other mutual agreement of the partners. Agreement on eliminating any one of the partners from participation in the profits is invalid.

Article 1049. Separation of share of partner at the demand of his creditor

The creditor of a participant in the agreement on simple partnership has the right to present a demand on separation of his share from the common property, in accordance with Article 255 of the present Code.

Article 1050. Termination of agreement on simple partnership

1. The agreement on simple partnership is terminated as a result of:

—ruling that one of the partners is incompetent, of limited capacity, or a missing person, if the agreement on simple partnership or subsequent mutual agreement does not provide for retention of the agreement in the relations between the remaining partners;

—declaration of one of the partners to be insolvent (bankrupt), with the exception specified in paragraph two of the present point;

—death of a partner or liquidation or reorganization of a legal entity participating in the agreement on simple partnership, if the agreement or subsequent mutual agreement does not specify retention of the agreement in the relations between the remaining partners or replacement of the deceased partner (liquidated or reorganized legal entity) with his heirs (legal successors);

—refusal of one of the partners from continued participation in the agreement on simple partnership concluded without specification of term, with the exception specified in paragraph two of the present point;

—dissolution of the agreement of simple partnership concluded with indication of term, at the demand of one of the partners in relations between him and the remaining partners, with the exception specified in paragraph two of the present point;

—expiration of the term of the agreement on simple partnership;

—isolation of share of partner at the demand of his creditor, with the exception specified in paragraph two of the present point.

2. Upon termination of the agreement on simple partnership, the items handed over for common ownership and (or) use of the partners are returned to the partners contributing them without remuneration, unless otherwise specified by mutual agreement of the parties.

From the moment of termination of the agreement on simple partnership, its participants bear joint liability for the unfulfilled common obligations in regard to third parties.

The division of property which is held in common ownership of the partners, and of the common rights of demand which have arisen, is performed in accordance with the procedure specified in Article 252 of the present Code.

Upon termination of the agreement on simple partnership, a partner who has individually contributed a specific item to the common ownership has the right to demand the return of this item to him in judicial order, provided that the interests of the remaining partners and creditors are adhered to.

Article 1051. Rejection of agreement on simple partnership concluded without term

The statement of a partner's rejection of an agreement of simple partnership concluded without term must be made by him no later than 3 months prior to his presumed withdrawal from the agreement.

An agreement limiting rights to rejection of an agreement on simple partnership concluded without specification of term is invalid.

Article 1052. Dissolution of agreement on simple partnership at the demand of a party

Along with the grounds specified in point 2, Article 450 of the present Code, a party to an agreement on simple partnership concluded with specification of term or with indication of purpose in regard to the condition of cancellation, has the right to demand dissolution of the agreement in relations between itself and the remaining partners for valid reason, with compensation to the other partners of the real loss inflicted by dissolution of the agreement.

Article 1053. Liability of partner in regard to whom the agreement on simple partnership is dissolved

In the case when the agreement on simple partnership was not terminated as a result of statement by one of the participants regarding his refusal of further participation in it, or in the case of dissolution of the agreement at the demand of one of the partners, the person whose participation in the agreement is terminated is liable to third parties for common obligations arising during the period of his participation in the agreement, as if he had remained a participant in the agreement on simple partnership.

Article 1054. Silent partnership

1. The agreement on simple partnership may specify that its existence shall not be divulged to third parties (silent partnership). The rules on agreement of simple partnership are applied to such agreement, unless otherwise specified by the present article or results from the essence of the silent partnership.

2. In relations with third parties, each of the participants in a silent partnership is liable with his property for deals which he concluded in his name in the common interests of the partners.

3. In relations between partners, the obligations arising in the process of their joint activity are considered to be common.

Chapter 56. PUBLIC PROMISE OF REWARD

Article 1055. Obligation to pay reward

1. A person who has publicly announced the payment of monetary remuneration or issuance of some other reward (payment of reward) to the one who performs the lawful action specified in the announcement within the time specified in it, is obligated to pay out the promised reward to anyone who performs the appropriate action, specifically to one who finds a lost item or reports the necessary information to the person announcing the reward.

2. Obligation to pay a reward arises under the condition that the promise of reward makes it possible to determine whom it was promised by. The person who responds to the promise has the right to demand written confirmation of the promise, and bears the risk of consequences for failure to present this demand, if it turns out that in fact the announcement of reward was not made by the person specified in it.

3. If a public promise of reward does not specify its amount, it is determined by agreement with the person promising the reward, and in case of dispute—by the court.

4. The obligation to pay the reward arises regardless of whether the appropriate action was performed in connection with the announcement which was made, or irrespective of it.

5. In cases when the action specified in the announcement was performed by several persons, the right to receive the reward goes to the one who performed the appropriate action first.

If the action specified in the announcement is performed by two or more persons, and it is impossible to determine which of them performed the appropriate action first, and likewise in the case when the action was performed by two or more persons simultaneously, the reward is divided up equally among them, or in some other amount specified by mutual agreement between them.

6. Unless otherwise specified in the announcement of reward or results from the character of the action specified in it, correspondence of the fulfilled action to the requirements contained in the announcement is determined by the person making the public announcement of reward, and in case of dispute—by the court.

Article 1056. Withdrawal of public promise of reward

1. A person who has publicly announced the payment of a reward has the right to withdraw such promise in the same form, except for cases when the announcement itself specifies, or results in, the inadmissability of withdrawal; or if a specific time is given for performance of the action for which the reward is promised; or if by the moment of announcement of the withdrawal, one or several respondents have already fulfilled the action specified in the announcement.

2. Withdrawal of public promise of a reward does not absolve the person announcing the reward from compensation of the expenditures of respondents, incurred by them in connection with performance of the action specified in the announcement, within the limits of the reward stated in the announcement.

Chapter 57. PUBLIC COMPETITION

Article 1057. Organization of public competition

1. A person who publicly announces the payment of monetary remuneration or issuance of other award (payment of award) for the best fulfillment of work or achievement of other results (public competition), must pay out (issue) the specified award to the one who, in accordance with the conditions of conducting the competition, is recognized as its winner.

2. A public competition must be aimed at the achievement of some socially beneficial purpose.

3. A public competition may be open, when the competition organizer's offer to participate in it is addressed

to all comers by means of announcement in the press or other mass media, or closed—when the offer to participate in the competition is directed at a specific circle of persons selected by the organizer of the competition.

An open competition may be determined by preliminary qualification of its participants, when the organizer of the competition performs preliminary selection of persons wishing to participate in it.

4. The announcement of public competition must contain at least the conditions specifying the essence of the assignment; the criteria and order of evaluation of results of the work or other achievements; the place, time and order of their presentation; the amount and form of the award, and also the procedure and terms of announcing the results of the competition.

5. The rules specified in the present chapter are applied to public competitions which entail the obligation to conclude an agreement with the winner of the competition, insofar as articles 447-449 of the present Code do not state otherwise.

Article 1058. Amendment of conditions and cancellation of public competition

1. A person who has announced a public competition has the right to amend its conditions or to cancel the competition only within the first half of the term specified for presentation of the work.

2. Notification of change in conditions or cancellation of the competition must be made by the same method by which the competition was announced.

3. In the case of change in conditions of the competition or its cancellation, the person who has announced the competition must compensate the expenditures incurred by any person who has fulfilled the work specified in the announcement prior to such time when he learned or should have learned of the change in conditions of the competition or its cancellation.

A person who has announced a competition is absolved of the obligation to compensate expenditures if he proves that the indicated work was fulfilled not in connection with the competition, specifically prior to announcement of the competition, or that it clearly did not correspond to the conditions of the competition.

4. If, in amending the conditions of the competition or in its cancellation, requirements specified in points 1 or 2 of the present article were violated, the person announcing the competition must pay the award to those who fulfilled the work which satisfies the conditions stated in the announcement.

Article 1059. Decision on payment of award

1. The decision on payment of the award must be rendered and announced to the participants of a public competition in accordance with the procedure and within the times specified in the announcement of the competition.

2. If the results specified in the announcement were achieved in the work performed jointly by two or more persons, the award is distributed in accordance with the mutual agreement reached between them. If such agreement is not reached, the order of distribution of the award is determined by the court.

Article 1060. Use of works of science, literature and art granted award

If the object of the public competition comprises the creation of works of science, literature or art, and the conditions of the competition do not specify otherwise, the person announcing the public competition acquires priority right to concluding with the author of the work which has been granted the specified award an agreement for use of the work, with payment of appropriate remuneration to him for such use.

Article 1061. Return of submitted work to participants in a public competition

A person who has announced a public competition is obligated to return to the competition participants the works which were not granted the award, unless otherwise specified in the announcement of the competition or results from the character of the performed work.

Chapter 58. Conducting gaming and betting

Article 1062. Demands associated with organization of gaming and betting, and participation in them

Demands of citizens and legal entities associated with the organization of gaming and betting, or with participation in them, are not subject to legal protection, with the exception of demands of persons taking part in gaming or betting under the influence of fraud, violence, threat or ill-intentioned agreement of their representative with the organizer of the gaming or betting, and likewise demands specified in point 5, Article 1063 of the present Code.

Article 1063. Conducting lotteries, pari-mutuels and other gaming by the state and municipal formations, or with their permission

1. Relations between the organizers of lotteries, pari-mutuels (mutual bets) and other games of chance who

are the Russian Federation, subjects of the Russian Federation, municipal formations, or persons who have received permission from the authorized state or municipal agency (licenses), with the participants in such gaming, are based on agreement.

2. In cases specified by the rules of organization of the gaming, the agreement between the organizer and participant in the gaming is formalized by issuance of a lottery ticket, receipt or other document.

3. The offer to conclude an agreement specified in point 1 of the present article must include a condition on the time of conducting the gaming, as well as the order of determining the winnings and their amount.

If the organizer of the gaming refuses to conduct it within the specified time, the participants in the games have the right to demand from the organizers the compensation of their actual losses resulting from cancellation of the games or their re-scheduling.

4. Persons who, in accordance with the conditions of conducting lotteries, pari-mutuels or other games, are deemed to be winners, must be paid their winnings by the organizer of the games in the amount, form (monetary or in kind) and time specified in the conditions of conducting the games, and if the time is not specified in these conditions—no later than 10 days from the moment of determining the results of the games.

5. If the organizer of the games fails to fulfill the obligations specified in point 4 of the present article, the winner of a lottery, pari-mutuel or other game has the right to demand from the organizer of the game the payment of his winnings, along with compensation of losses inflicted by the organizer's violation of the agreement.

Chapter 59. Liabilities arising from infliction of damage

#1. General principles on compensation of damage

Article 1064. General grounds for liability for infliction of damage

1. Damage inflicted upon an individual or property of a citizen, and likewise damage inflicted upon the property of a legal entity, is subject to compensation in full by the person inflicting said damage.

By law, the liability for compensation of damage may be placed upon a person who is not the perpetrator of the damage. The law or agreement may specify liability of the perpetrator of the damage to pay out compensation to the victims in excess of compensation for the damage.

2. A person who has caused damage is absolved of making compensation for the damage if he proves that the damage was inflicted through no fault of his own. The law may specify compensation of damage also in the absence of fault of the perpetrator of the damage.

3. Damage inflicted by lawful actions is subject to compensation in cases specified by law.

Compensation of damage may be refused, if the damage was inflicted at the request of or with the consent of the victim, and the actions of the perpetrator of the damage did not violate the moral tenets of society.

Article 1065. Preventing infliction of damage

1. The threat of inflicting damage in the future may constitute grounds for a petition to prohibit activity which creates such a hazard.

2. If the inflicted damage is the result of operation of an enterprise, structure or other production activity, which continues to inflict damage or threatens new damage, the court has the right to obligate the defendant, aside from providing compensation of the damage, to suspend or terminate the appropriate activity.

The court may reject a petition to suspend or terminate the appropriate activity only in the case when its suspension or termination contradicts public interests. Refusal to suspend or terminate such activity does not deprive the victims of the right to compensation of the damage inflicted by this activity.

Article 1066. Infliction of damage by virtue of necessary defense

Damage inflicted by virtue of necessary defense is not subject to compensation, if the limits [of necessary defense] were not exceeded.

Article 1067. Infliction of damage in a state of extreme necessity

Damage inflicted in a state of extreme necessity, that is for the purpose of eliminating danger which threatens the perpetrator of the damage himself or other persons, if this danger could not be averted by other means under the given circumstances, must be compensated by the person inflicting such damage.

Considering the circumstances under which such damage was inflicted, the court may place liability for its compensation on a third party, in the interests of which the perpetrator of the damage acted, or absolve this third party, along with the perpetrator of the damage, from compensation of the damage, in full or in part.

Article 1068. Liability of legal entity or citizen for damage inflicted by its workers

1. A legal entity or citizen compensates the damage inflicted by its workers in the course of fulfillment of their work (service, official) duties.

As applicable to the rules specified in the present chapter, such workers are considered to be citizens performing work on the basis of a labor agreement (contract), and likewise citizens performing work under a civil-legal agreement, if they acted or should have acted at the authorization of the appropriate legal entity or citizen and under his control of safe performance of the work.

2. Economic partnerships and production cooperatives compensate damage inflicted by their participants (members) in the latter's performance of entrepreneurial, production or other activity of the partnership or cooperative.

Article 1069. Liability for damage inflicted by state agencies, organs of local self-government, and likewise by their officials

Damage inflicted upon a citizen or legal entity as a result of the unlawful actions (inaction) of state agencies, organs of local self-government or officials of these agencies, including as a result of publication of a statute of the state agency or organ of local self-government which does not cooerspond to the law or other legal statute, is subject to compensation. Damage is compensated at the expense of the Russian Federation, the treasury of the subject of the Russian Federation, or the treasury of the municipal formation, respectively.

Article 1070. Liability for damage inflicted by unlawful actions of agencies of inquiry, preliminary investigation, prosecutor's office and court

1. Damage inflicted upon a citizen as a result of unlawful conviction, unlawful criminal prosecution, unlawful holding in custody as a means of suppression, issuance of unlawful prohibition of leaving a place, or unlawful imposition of administrative penalty in the form of arrest or correctional work, is compensated at the expense of the Russian Federation treasury, and in cases specified by law—at the expense of the treasury of the subject of the Russian Federation or treasury of a municipal formation in full volume, regardless of the fault of officials of the agencies of inquiry, preliminary investigation, prosecutor's office or court, in accordance with the procedure specified by law.

2. Damage inflicted upon a citizen or legal entity as a result of unlawful activity of agencies of inquiry, preliminary investigation, or prosecutor's office, which did not entail the consequences specified in point 1 of the present article, is compensated on the grounds and in accordance with the procedure specified by Article 1069 of the present Code. Damage inflicted in implementation of jurisprudence is compensated in the case when the fault of the judge is established by sentence of the court which has gone into legal effect.

Article 1071. Agencies and persons acting in the name of the treasury in compensation of damage at its expense

In cases when, in accordance with the present Code or other laws, the inflicted damage is subject to compensation at the expense of the Russian Federation treasury, the treasury of a subject of the Russian Federation, or the treasury of a municipal formation, the appropriate finance agencies act in the name of the treasury, if in accordance with point 3, Article 125 of the present Code this obligation is not placed upon another agency, legal entity or citizen.

Article 1072. Compensation of damage by person who has insured his liability

A legal entity or citizen who has insured his liability in the order of voluntary or mandatory insurance in favor of the victim (Article 931, point 1 of Article 935), in the case when the insurance compensation is insufficient to fully compensate the inflicted damage, must compensate the difference between the insurance compensation and the actual amount of the loss.

Article 1073. Liability for damage inflicted by a minor under 14 years of age

1. Parents (adoptive parents) or guardians are liable for damage inflicted by a minor who has not reached the age of 14 years (minor) unless they prove that the damage occurred through no fault of their own.

2. If a minor in need of guardianship resided in an appropriate educational or health treatment institution, institution for public social protection or other analogous institution, which by force of law acted as his guardian (Article 35), this institution is obligated to compensate the damage inflicted by the minor, if it does not prove that the damage occurred through no fault of the institution.

3. If a minor inflicted damage at a time when he was under the supervision of an educational, child-rearing, health treatment or other institution which was responsible for his supervision, or of a person providing

supervision on the basis of an agreement, this institution or person is liable for the damage, if it does not prove that the damage occurred through no fault in performance of its supervision.

4. The liability of parents (adoptive parents), guardians, educational, child-rearing, health treatment and other institutions for compensation of damage inflicted by a minor does not cease upon the minor's reaching the age of majority or his acquisition of property sufficient for compensation of the damage.

If the parents (adoptive parents), guardians or other citizens specified in point 3 of the present article have died or do not have sufficient means for compensation of the damage inflicted upon the life or health of the victim, and the perpetrator of the damage himself, having attained full legal competency, possesses such means, the court, taking into consideration the property status of the victim and the perpetrator of the damage, as well as other circumstances, has the right to adopt a ruling on compensation of the damage in full or in part, at the expense of the perpetrator of the damage himself.

Article 1074. Liability for damage inflicted by minors between the ages of 14 and 18

1. Minors between the ages of 14 and 18 bear independent liability for infliction of damage on general principles.

2. In cases when a minor between the ages of 14 and 18 does not have income or other property sufficient for compensation of the damage, the damage must be compensated in full or in the remaining part by his parents (adoptive parents) or guardian, if they do not prove that the damage occurred through no fault of theirs.

If a minor between the ages of 14 and 18 who is in need of guardianship resided in the appropriate child-rearing or health treatment institution, institution of public social protection or other analogous institution, which by force of law acted as its guardian (Article 35), this institution is obligated to compensate the damage in full or in the remaining part, if it does not prove that the damage occurred through no fault of its own.

3. The liability of the parents (adoptive parents), guardian or appropriate institution for compensation of damage inflicted by a minor between the ages of 14 and 18 terminates upon his reaching the age of majority, or in the case when, prior to reaching the age of majority, he receives income or other property sufficient for compensation of the damage, or when, prior to the age of majority, he attains full legal competency.

Article 1075. Liability of parents deprived of parental rights for damage inflicted by minors

A parent deprived of his parental rights may be held liable by the court for damage inflicted by his minor child for a period of 3 years after deprivation of the parent of his parental rights, if the behavior of the child which entailed infliction of the damage was the result of improper fulfillment of parental responsibilities.

Article 1076. Liability for damage inflicted by citizen ruled to be incompetent

1. Damage inflicted by a citizen ruled to be incompetent is compensated by his guardian or by the organization responsible for his supervision, if they do not prove that the damage occurred through no fault of their own.

2. The liability of the guardian or organization responsible for supervision for compensation of damage inflicted by a citizen ruled to be incompetent is not terminated if the said person is subsequently ruled to be competent.

3. If the guardian dies or does not have sufficient means for compensation of the damage inflicted upon the life or health of the victim, and the perpetrator of the damage himself possesses means, the court, taking into consideration the property status of the victim and the perpetrator of the damage, and likewise other circumstances, has the right to adopt a ruling on compensation of the damage in full or in part at the expense of the perpetrator of the damage himself.

Article 1077. Liability for damage inflicted by citizen deemed to have limited competency

Damage inflicted by a person of limited competency as a result of abuse of alcoholic beverages or narcotic substances is compensated by the perpetrator of the damage himself.

Article 1078. Liability for damage inflicted by citizen incapable of comprehending the significance of his actions

1. A competent citizen or minor between the ages of 14 and 18 years who has inflicted damage while in such a condition that he could not comprehend the significance of his actions or control them is not liable for the damage inflicted by him.

If the damage was inflicted to the life or health of the victim, the court may, taking into consideration the property status of the victim and the person inflicting the damage, and likewise other circumstances, place responsibility for compensation of the damage in full or in part on the perpetrator of the damage.

2. The perpetrator of damage is not absolved of liability if he brought himself to the state in which he could not comprehend the significance of his actions or control them, by means of consumption of alcoholic beverages, use of narcotic substances, or by some other means.

3. If damage is inflicted by a person who could not comprehend the significance of his actions or control them as a result of mental disorder, the court may place the obligation to compensate the damage upon his able-bodied spouse, parents, or adult children who live with this person and who knew of the mental disorder of the perpetrator of the damage, but did not raise the question of ruling him incompetent.

Article 1079. Liability for damage inflicted by activity which creates increased hazard to surrounding persons

1. Legal entities and citizens whose activity is associated with increased hazard to those around them (use of transport means, mechanisms, high voltage electrical power, atomic energy, explosive substances, strong-acting toxins, etc; performance of construction and other associated activity, etc.) are obligated to compensate damage inflicted by the source of the increased hazard, if they do not prove that the damage arose as a result of insurmountable force or intent of the victim. The owner of the source of increased hazard may be also absolved of liability in full or in part by the court on the grounds specified in points 2 and 3, Article 1083 of the present Code.

Obligation to compensate damage is placed upon a legal entity or citizen who possesses a source of increased hazard with the right of ownership, right of economic management, or right of operative administration, or on some other legal basis (right of lease, power of attorney, right to operate transport means, by force of directive of appropriate agency on transfer of the source of increased hazard to it, etc.).

2. The owner of the source of increased hazard is not liable for the damage inflicted by this source if he proves that the source left his possession as a result of unlawful actions by other persons. Liability for damage inflicted by a source of increased hazard in such cases is borne by the persons having unlawful possession of the source. If the owner of the source of increased hazard is at fault for the unlawful removal of this source from his possession, liability may be placed upon the owner as well as upon the person taking unlawful possession of the source of increased hazard.

3. Owners of sources of increased hazard bear joint liability for the damage inflicted as a result of the interaction of these sources (collision of transport means, etc.) upon third persons, on the grounds specified by point 1 of the present article.

Damage resulting from the interaction of sources of increased hazard which is inflicted upon their owners is compensated on general principles (Article 1064).

Article 1080. Liability for jointly inflicted damage

Persons who jointly inflict damage are jointly liable to the victim.

Upon request of the victim, and in his interests, the court has the right to impose a portion of liability upon a person jointly inflicting damage, determining it as applicable to the rules specified in point 2, Article 1081 of the present Code.

Article 1081. Right of regress to person inflicting damage

1. A person who has compensated damage inflicted by another person (worker in fulfillment of his work-related, official or other labor duties, person operating transport means, etc.) has the right of retroactive demand (regress) to this person in the amount of the compensation which was paid out, if a different amount is not specified by law.

2. The perpetrator of damage who has compensated jointly inflicted damage has the right to demand from each of the other perpetrators of the damage a portion of the compensation paid to the victim, in an amount corresponding this perpetrator's degree of guilt in inflicting damage. If it is impossible to determine the degree of guilt, the shares are considered to be equal.

3. The Russian Federation, a subject of the Russian Federation or a municipal formation, in case of their compensation of damage inflicted by an official of the organs of inquiry, preliminary investigation, prosecutor's office or court (point 1, Article 1070), have the right of regress to this person, if his guilt is established by court sentence which has gone into legal effect.

4. Persons compensating damage on the grounds specified in Articles 1073-1076 of the present Code do not have the right of regress to the person who inflicted the damage.

Article 1082. Methods of compensating damage

In satisfying the demand on compensation of damage, the court, in accordance with the circumstances in the case, obligates the person responsible for inflicting the damage to compensate the damage in kind (present an item of the same type and quality, correct a damaged item, etc.) or to compensate the inflicted losses (point 2, Article 15).

Article 1083. Consideration of fault of victim and property status of person inflicting damage

1. Damage occurring as a result of intent of the victim is not subject to compensation.

2. If the gross negligence of the victim himself aided in occurrence or aggravation of the damage, depending on the degree of fault of the victim and the perpetrator of the damage, the amount of compensation must be reduced.

In the case of gross negligence of the victim and absence of fault of the perpetrator of the damage in cases when his liability ensues regardless of fault, the amount of compensation must be reduced, or the compensation of damage may be refused, if the law does not specify otherwise. In infliction of damage to life or health of a citizen, refusal of compensation of damage is not permitted.

The fault of the victim is not considered in compensating additional expenditures (point 1, Article 1085), in compensation of damage in connection with the death of a breadwinner (Article 1089), and likewise in compensation of burial expenses (Article 1094).

3. The court may reduce the amount of compensation of damage inflicted by a citizen with consideration of his property status, with the exception of cases when the damage was inflicted by actions performed intentionally.

#2. Compensation of damage inflicted to life or health of citizen

Article 1084. Compensation of damage inflicted upon life or health of a citizen in fulfillment of contractual or other obligations

Damage inflicted upon the life or health of a citizen in the course of fulfillment of contractual obligations, and likewise in the course of his fulfillment of obligations of military service, service in the militia and other appropriate obligations, is compensated according to the rules specified in the present chapter, if the law or agreement does not specify a higher degree of liability.

Article 1085. Scope and character of compensation of damage inflicted by injury to health

1. Upon infliction of bodily injury or other damage to the health of a citizen, the earnings (income) lost by the victim, which he had or certainly could have had, is subject to compensation, as well as the additionally incurred expenditures caused by injury to health. This includes expenditures for treatment, additional food, purchase of medicines, prosthesis, outside care, sanatorium-health resort treatments, acquisition of special transport means, and training for another profession, if it is determined that the victim needs these types of aid and care and does not have the right to receive them free of charge.

2. In determining lost earnings (income), the disability pension granted to the victim in connection with his injury or other damage to health, and likewise other pensions, subsidies and other such payments granted before as well as after infliction of the injury to health, are not taken into consideration and do not entail reduction in the amount of compensation of damage (not credited toward compensation of damage). Earnings (income) received by the victim after injury to his health are also not counted toward compensation of damage.

3. The scope and amount of compensation of damage due to the victim in accordance with the present chapter may be increased by law or by agreement.

Article 1086. Determination of earnings (income) lost as a result of injury to health

1. The amount of lost earnings (income) subject to compensation to the victim is determined in percent of his average monthly wage (income) prior to the injury or other damage to health, or prior to his loss of work capacity, corresponding to the degree of the victim's loss of professional work capacity, and in the absence of a professional work capacity—to the degree of loss of general work capacity.

2. The lost earnings (income) of the victim includes all types of payment for his labor under labor and civil-legal agreements at his place of primary employment, as well as at other jobs which he held and for which income tax was collected. Payments of a one-time character are not taken into consideration, specifically compensation for unused vacation and severance pay upon termination. Benefits paid for the period of temporary disability or for maternity leave are taken into consideration. Income from entrepreneurial activity, and likewise author's honorarium payments, are also included in the complement of lost earnings. In this case, the income from entrepreneurial activity is included on the basis of data of the tax inspectorate.

All types of earnings (income) are taken into consideration in the sums credited prior to tax withholding.

3. The average monthly earnings (income) of the victim are computed by means of dividing the overall sum of his earnings (income) for the 12 months of work

preceding the injury to health by 12. In the case when the victim, at the time of infliction of damage, had worked less than 12 months, the average monthly earnings (income) are computed by means of dividing the total sum of earnings (income) for the actual number of months worked prior to the damage to health by the number of these months.

Partial months worked by the victim, at his request, are replaced by preceding full months of work, or excluded from the computation due to impossibility of their replacement.

4. In the case when the victim was not working at the moment of infliction of damage, at his request the earnings prior to his dismissal are taken into consideration, or the customary amount of remuneration of a worker of his qualification in a given month, but no less than five times the minimal amount of the labor wage specified by law.

5. If there were reliable changes in the earnings (income) of the victim prior to infliction of injury or other damage to his health, which improved his property status (increase in labor wage in his work capacity, transfer to a higher-paying job, hiring for work upon completion of full-time educational institution, and in other cases when a reliable change or possibility of change in the labor wage of the victim is proven), in determining his average monthly earnings (income), only the earnings (income) which he received or should have received after the appropriate change are taken into consideration.

Article 1087. Compensation of damage due to injury to health of a person who has not reached the age of majority

1. In case of injury or other damage to health of a minor under the age of 14 (minor child) who does not have earnings (income), the person liable for infliction of the damage is obligated to compensate the expenditures caused by the injury to health.

2. When the minor victim reaches the age of 14, and likewise in case of infliction of damage upon a minor between the ages of 14 and 18 who does not have earnings (income), the person liable for infliction of damage is obligated to compensate the victim, aside from the expenditures caused by the damage to health, also for the damages associated with loss or diminished work capacity, based on five times the amount of the minimal labor wage established by law.

3. If at the time of injury to his health the minor had earnings, then the damage is compensated based on the amount of such earnings, but no lower than five times the amount of the minimal labor wage established by law.

4. After the start of labor activity, a minor whose health was previously damaged has the right to demand increase in the amount of compensation of damage, based on his earnings received, but no less than the amount of remuneration established in accordance with the position which he held, or the earnings of a worker of the same qualification at his place of employment.

Article 1088. Compensation of damage to persons sustaining loss as a result of death of a breadwinner

1. In the case of death of the victim (breadwinner), the following have the right to compensation of damage:

—disabled persons who were dependents of the deceased or who, on the day of his death, had the right to receive support from him;

—a child of the deceased born after his death;

—a parent, spouse or other family member, regardless of his capacity for work, who does not work and is engaged in caring for the dependent children, grandchildren, brothers and sisters of the deceased who are under the age of 14, or who, though they have reached the indicated age, by conclusion of the medical agencies require constant care due to their state of health;

—persons who are dependent on the deceased and who have become disabled within 5 years after his death.

A parent, spouse or other family member who is not working and is engaged in caring for children, grandchildren, brothers and sisters of the deceased, and who has become disabled during the period of performing care, retains the right to compensation of damage after completing the care for these persons.

2. Damage is compensated:

—to minors—until they reach the age of 18;

—to students over 18 years of age—until completion of schooling at full-time educational institutions, but no older than 23 years of age;

—women over 55 years of age and men over 60 years of age—for life;

—invalids—for the term of their disability;

—a parent, spouse or other family member engaged in caring for dependent children, grandchildren, brothers or sisters of the deceased—until they reach the age of 14 or until there is a change in their state of health.

Article 1089. Amount of compensation of damage incurred in case of death of a breadwinner

1. Persons having the right to compensation of damage in connection with the death of a breadwinner are compensated the damage in the amount of that portion of the earnings (income) of the deceased specified in accordance with the rules in Article 1086 of the present Code, which they received or had the right to receive for their support during his life. In determining the amount of compensation of damage to these persons, the income of the deceased, aside from his earnings (income), includes any pension received by him during his life, lifetime support and other similar payments.

2. In determining the amount of compensation of damage, pensions granted to persons in connection with the death of a breadwinner, and likewise other types of pensions granted before as well as after the death of the breadwinner, as well as the earnings (income) and stipend received by these persons, are not counted toward compensation of damage.

3. The amount of compensation established for each person who has the right to compensation of damage in connection with death of a breadwinner is not subject to further re-computation, except for the following cases:

—birth of a child after the death of the breadwinner;

—appointment or termination of payment of compensation to persons engaged in caring for children, grandchildren, brothers and sisters of the deceased breadwinner.

The amount of compensation may be increased by law or by agreement.

Article 1090. Subsequent change in amount of compensation of damage

1. A victim who has sustained a partial disability has the right to demand, at any time, from the person who is charged with liability for compensation of damage, an appropriate increase in the amount of his compensation, if the work capacity of the victim dimishes in the future in connection with the inflicted damage to health as compared to that which he had at the time the compensation of damage was awarded.

2. A person who is charged with the obligation of compensating damage inflicted upon the health of the victim has the right to demand appropriate reduction in the amount of compensation if the work capacity of the victim increases as compared with that which he had at the time the compensation of damage was awarded.

3. The victim has the right to demand increase in the amount of compensation of damage if the property status of the citizen who is charged with the obligation of compensating damage has improved, and the amount of compensation was reduced in accordance with point 3, Article 1083 of the present Code.

4. The court may, upon demand of the citizen inflicting the damage, reduce the amount of compensation of damage, if said person's property status, in connection with disability or with reaching retirement age, has diminished as compared with his position at the time the compensation of damage was awarded, with exception of cases when the damage was inflicted by actions performed intentionally.

Article 1091. Increase in amount of compensation of damage in connection with increased cost of living and increased minimal wage

1. With an increase in the cost of living, the sums of compensation of damage inflicted to the life or health of a victim which are paid out to citizens are subject to indexation in accordance with the procedure specified by law.

2. With an increase in the minimal amount of the labor wage established by law, the sums of compensation of lost earnings (income), and other payments awarded in connection with damage to health or death of the victim are increased proportionately to the increase in the lawfully established amount of the minimum labor wage (Article 318).

Article 1092. Payments for compensation of damage

1. Compensation of damage caused by diminished work capacity or death of the victim is performed in monthly payments.

In the presence of valid reasons, the court may, taking into consideration the capacities of the perpetrator of the damage, and at the demand of the citizen having the right to compensation of damage, award him the payments due in a lump sum payment, but for no more than 3 years.

2. Sums for compensation of additional expenditures (point 1, Article 1085) may be awarded for a future time within the limits of the terms determined on the basis of the conclusion of medical experts, and also if it is necessary to pre-pay the cost of appropriate services and property, including the purchase of a travel pass, payment for passage, and payment for special means of transport.

Article 1093. Compensation of damage in case of termination of legal entity

1. In case of reorganization of a legal entity which is found in accordance with the established procedure to be

liable for damage inflicted to life or health, the liability for payment of the appropriate payments is assumed by its legal successor. The demands on compensation of damage are also then submitted to it.

2. In case of liquidation of a legal entity which is found in accordance with the established procedure to be liable for damage inflicted to life or health, the appropriate payments must be capitalized for payment to the victim in accordance with the rules specified by law or other legal statutes.

The law or other legal statutes may also specify other cases in which capitalization of payments may be performed.

Article 1094. Compensation of burial expenses

Persons liable for damage resulting in the death of the victim are obligated to compensate the necessary burial expenses to the person incurring these expenditures.

The burial benefits received by citizens incurring these expenditures are not credited toward compensation of damage.

#3. Compensation of damage inflicted as a result of defects in goods, work or services

Article 1095. Grounds for compensation of damage inflicted as a result of defects in goods, work or services

Damage inflicted upon life, health or property of a citizen or property of a legal entity as a result of structural, formulary or other defects in the goods, work or services, and likewise as a result of unreliable or incomplete information about the goods (work, services), is subject to compensation by the seller or manufacturer of the goods, or the person performing the work or providing the service (executor), regardless of their fault and regardless of whether the victim had entered into contractual relations with them or not.

The rules specified in the present article are applied only in cases of acquisition of goods (fulfillment of work, provision of services) for consumer purposes, and not for use in entrepreneurial activity.

Article 1096. Persons liable for damage inflicted as a result of defects in goods, work or services

1. Damage inflicted as a result of defects in goods is subject to compensation, at the discretion of the victim, by the seller or by the manufacturer of the goods.

2. Damage inflicted as a result of defects in work or services is subject to compensation by the person fulfilling the work or providing the service (executor).

3. Damage inflicted as a result of failure to present complete or reliable information about goods (work, services) is subject to compensation by the persons indicated in points 1 and 2 of the present article.

Article 1097. Terms of compensation of damage inflicted as a result of defects in goods, work or services

1. Damage inflicted as a result of defects in goods, work or services is subject to compensation, if it arose in the course of the specified terms of suitability of the goods (work, services), and if the term of suitability is not specified—within 10 years from the day of production of the goods (work, service).

2. Upon expiration of the terms specified in point 1 of the present article, the damage is subject to compensation if:

—the term of suitability was not specified in violation of legal requirements;

—the person to whom the goods were sold, for whom the work was performed, or to whom the service was provided was not warned of necessary actions upon expiration of the term of suitability, and of any possible consequences of failure to fulfill the indicated actions.

Article 1098. Grounds for excuse from liability for damage inflicted as a result of defects in goods, work or services

A seller or manufacturer of goods, or provider of work or services, is absolved of liability if he proves that the damage occurred as a result of insurmountable force or the consumer's violation of the established rules of use of the goods, or the results of work or service, and their storage.

#4. Compensation of moral damage

Article 1099. General principles

1. Grounds for and amount of compensation of moral damage to a citizen are determined according to the rules specified in the present chapter and in Article 151 of the present Code.

2. Moral damage inflicted by actions (inaction) which violate the property rights of a citizen is subject to compensation in the cases specified by law.

3. Compensation of moral damage is performed regardless of the compensation of property damage which is due.

Article 1100. Grounds for compensation of moral damage

Compensation of moral damage is performed regardless of the fault of the perpetrator of the damage in cases when:

—damage was inflicted upon the life or health of a citizen by a source of increased hazard;

—damage was inflicted upon a citizen as a result of his unlawful conviction, unlawful prosecution, unlawful application of custody as a means of suppression or issuance of a warrant prohibiting exit, or unlawful imposition of administrative punishment in the form of arrest or correctional work;

—damage was inflicted by circulation of information defaming one's honor, dignity and business reputation;

—in other cases specified by law.

Article 1101. Method and amount of compensation of moral damage

1. Compensation of moral damage is performed in monetary form.

2. The amount of compensation of moral damage is determined by the court depending on the character of the physical and moral suffering inflicted upon the victim, and likewise the degree of fault of the perpetrator of the damage in cases when fault is the grounds for compensation of damages. In determining the amount of compensation of damage, requirements of reason and fairness must be taken into consideration.

The character of physical and moral suffering is evaluated by the court with consideration for the actual circumstances under which the moral damage was inflicted, and the individual specifics of the victim.

Chapter 60. LIABILITIES RESULTING FROM UNJUSTIFIED GAIN

Article 1102. Obligation to return unjustified gain

1. A person who, without grounds specified by law, other legal statute or deal, has acquired or saved property (acquirer) at the expense of another person (victim) is obligated to return to the latter the unjustifiably acquired or saved property (unjustified gain), with the exception of cases specified in Article 1109 of the present Code.

2. The rules specified in the preent chapter are applied regardless of whether or not the unjustified gain was the result of the behavior of the acquirer of property, the victim himself, a third person, or occurred irrespective of their will.

Article 1103. Relation of demands for return of unjustified gain with other requirements on protection of civil rights

Insofar as is not otherwise specified in the present Code, other laws or other legal statutes, and does not result from the essence of the appropriate relations, the rules specified in the present chapter are subject to application also to demands:

1) for return of what has been fulfilled in accordance with an invalid deal;

2) for obtaining property by its owner upon demand from unlawful possession by another;

3) of one party in an obligation to another regarding return of what was fulfilled in connection with this obligation;

4) on compensation of damages, including those inflicted by the dishonest behavior of the person receiving the gain.

Article 1104. Return of unjustified gain in kind

1. Property comprising unjustified gain of the acquirer must be returned to the victim in kind.

2. The acquirer is liable to the victim for any, including any accidental, shortages or deterioration in the unjustifiably gained or saved property which occurred after he learned or should have learned of the unjustified nature of the gain. Prior to this moment, he is liable only for intent and gross negligence.

Article 1105. Compensation of value of unjustified gain

1. If it is impossible to return in kind the unjustifiably received or saved property, the acquirer must compensate the victim the actual value of this property at the moment of its acquisition, as well as the losses caused by the subsequent change in value of the property, if the acquirer did not compensate its value immediately after he learned of the unjustified nature of the gain.

2. A person who without justification temporarily uses someone else's property without intent of its acquisition, or someone else's services, must compensate the victim for what he saved as a result of such use, at the price in effect at the time when the use was concluded, and at the place where it occurred.

Article 1106. Consequences of unjustified transfer of right to another person

A person who transfers to another person, by means of cession of demand or by some other means, a right which belongs to him on the basis of a non-existent or invalid circumstance, has the right to demand restoration of the former status, including return of documents certifying the transfer of the right.

Article 1107. Compensation of unrealized income to victim

1. A person who unjustifiably received or saved property is obligated to return or compensate the victim for all income which [the person] extracted or should have extracted from this property from the time when he learned or should have learned of the unjustified nature of the gain.

2. The sum of unjustifiable monetary gain is subject to payment of interest for use of someone else's funds (Article 395) from the time when the acquirer learned or should have learned about the unjustified nature of acquisition or savings of the monetary funds.

Article 1108. Compensation of expenditures on property subject to return

Upon return of unjustifiably acquired or saved property (Article 1104) or compensation of its value (Article 1105), the acquirer has the right to demand from the victim compensation of the necessary expenditures incurred for maintenance and preservation of the property from the time at which he was obligated to return the income (Article 1106), with crediting of benefits received by him. The right to compensation of expenditures is lost in the case when the acquirer intentionally held on to the property subject to return.

Article 1109. Unjustified gain not subject to return

The following are not subject to return in the capacity of unjustified gain:

1) property handed over in fulfillment of an obligation prior to the onset of the term of fulfillment, unless otherwise specified by the obligation;

2) property handed over in fulfillment of an obligation upon expiration of the term of the statute of limitations;

3) earned wages and payments equated to them, pensions, subsidies, stipends, compensation of damage inflicted to life or health, alimony or other monetary sums granted to a citizen as a means of support, in the absence of dishonesty on his part, or of accounting error;

4) monetary sums and other property granted in fulfillment of a non-existent obligation, if the acquirer proves that the person demanding return of the property knew of the absence of such obligation or presented the property for charitable purposes.

[Signed] President of the Russian Federation B. Yeltsin

Moscow, the Kremlin
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No 14-FZ

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